

# 2008

## Missouri Real Estate Malpractice Insurance Report

Statistics Section  
June 2009



**DIFP**  
Department of Insurance,  
Financial Institutions &  
Professional Registration

Jeremiah W. (Jay) Nixon  
Governor

John M. Huff  
Director



# **MISSOURI REAL ESTATE MALPRACTICE INSURANCE REPORT 2008**

**Department of Insurance, Financial Institutions &  
Professional Registration  
Statistics Section  
June 2009**



# Other Publications

## Available from the Missouri Department of Insurance, Financial Institutions & Professional Registration

The Department of Insurance, Financial Institutions & Professional Registration publishes the following reports. These reports are available by sending a written request along with \$35 to:

**Department of Insurance, Financial Institutions & Professional Registration**  
**P.O. Box 690**  
**Jefferson City, MO 65102-0690**

1. ***Missouri Complaint Index Report***  
summary information: <http://www.insurance.mo.gov/reports/complaint/index.htm>
2. ***Missouri Department of Insurance Annual Report***  
summary information: [http://www.insurance.mo.gov/aboutMDI/annual\\_report.htm](http://www.insurance.mo.gov/aboutMDI/annual_report.htm)
3. ***Missouri Legal Malpractice (Closed Claim) Report***  
summary information: <http://www.insurance.mo.gov/reports/legmal/index.htm>
4. ***Missouri Life, Accident & Health Supplement Data***  
summary information: <http://www.insurance.mo.gov/reports/suppdata.htm>
5. ***Missouri Market Share Report***  
summary information: <http://www.insurance.mo.gov/reports/mktshr.htm>
6. ***Missouri Medical Malpractice (Closed Claim) Report***  
summary information: <http://www.insurance.mo.gov/reports/medmal/index.htm>
7. ***Missouri Product Liability (Closed Claim) Report***  
summary information: <http://www.insurance.mo.gov/reports/prodliab/index.htm>
8. ***Missouri Property & Casualty Supplement Report***  
summary information: <http://www.insurance.mo.gov/reports/suppdata.htm>
9. ***Mortgage Guaranty Report***  
summary information: <http://www.insurance.mo.gov/reports/mortguar/index.htm>
10. ***Private Passenger Automobile Report***  
summary information: <http://www.insurance.mo.gov/reports/ppauto.pdf>
11. ***Missouri Health Maintenance Organization Report***  
summary information: <http://www.insurance.mo.gov/reports/hmo/index.htm>

**Databases:** For more information: <http://www.insurance.mo.gov/reports/index.htm#aggdata>

1. Medicare Supplement Experience Data
2. Commercial Liability Experience Data
3. Missouri **Zip Code Insurance Data** for:
  - Homeowners/Dwelling Fire,
  - Farmowners (dwelling only),
  - Mobile Home,
  - Earthquake, and
  - Private Passenger Automobile

Some data is available to the public for a fee by special request only. For additional information, contact the **Statistics Section at (573) 751-4126**.



# **Real Estate Malpractice Insurance Report**

## **Executive Summary**

This report summarizes Missouri real estate malpractice data for 1999 to 2008. The charts, graphs and tables are limited to closed claim information and were constructed from data collected by the department as required by Section 383.060 RSMo. The premium and loss data are presented in the final section. The data were obtained from the Missouri Page 19 Supplement to the companies' annual statements.

In 2008, real estate malpractice insurers incurred claim losses equal to 60 percent of premium, and paid defense costs equal to 59 percent of premium. Together, losses plus defense costs totaled 119 percent of earned premium. This figure totaled 161 percent over the past five years, and exceeded 230 percent over the prior ten years.

In 2008, 89 claims against realtors were closed, of which 18 were closed with payment. Claim payments averaged \$11,802, while defense costs averaged \$9,476. Over the last ten years, insurers paid claims totaling \$5.6 million, and defense costs equal to \$3.8 million. During the same period, 691 real estate malpractice claims were closed in Missouri — of these 23 percent resulted in a payment. The number of claims closed in 2008 (89 claims) was significantly lower than ten-year high in 2005 (124 claims).

In Section II, indemnity amounts are categorized by claim characteristics, including:

- Area of real estate in which the claims were filed.
- Major activity in which the agent was engaged when the alleged error or omission occurred.
- Alleged error or omission that was the most significant reason for the claim.

- The legal disposition of the claim at the closing date.
- The number of years the insured had been in practice at the time of the alleged error or omission.
- The relationship of the insured to the claimant.

Six companies reported writing real estate malpractice insurance business in Missouri during 2008 with Continental Casualty Company commanding 70% of the market.

This report was compiled using information submitted by the insurance companies. As a result, the accuracy of this report is dependent upon the accuracy of each company's data. Copies of this report will be made available in braille, large print or on audio cassette upon request. Questions regarding this report should be directed to the Statistics Section, Department of Insurance, Financial Institutions & Professional Registration, P.O. Box 690, Jefferson City, Missouri 65102-0690.

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**TEN YEAR  
SUMMARY  
(1999 - 2008)**



# REAL ESTATE MALPRACTICE INSURANCE

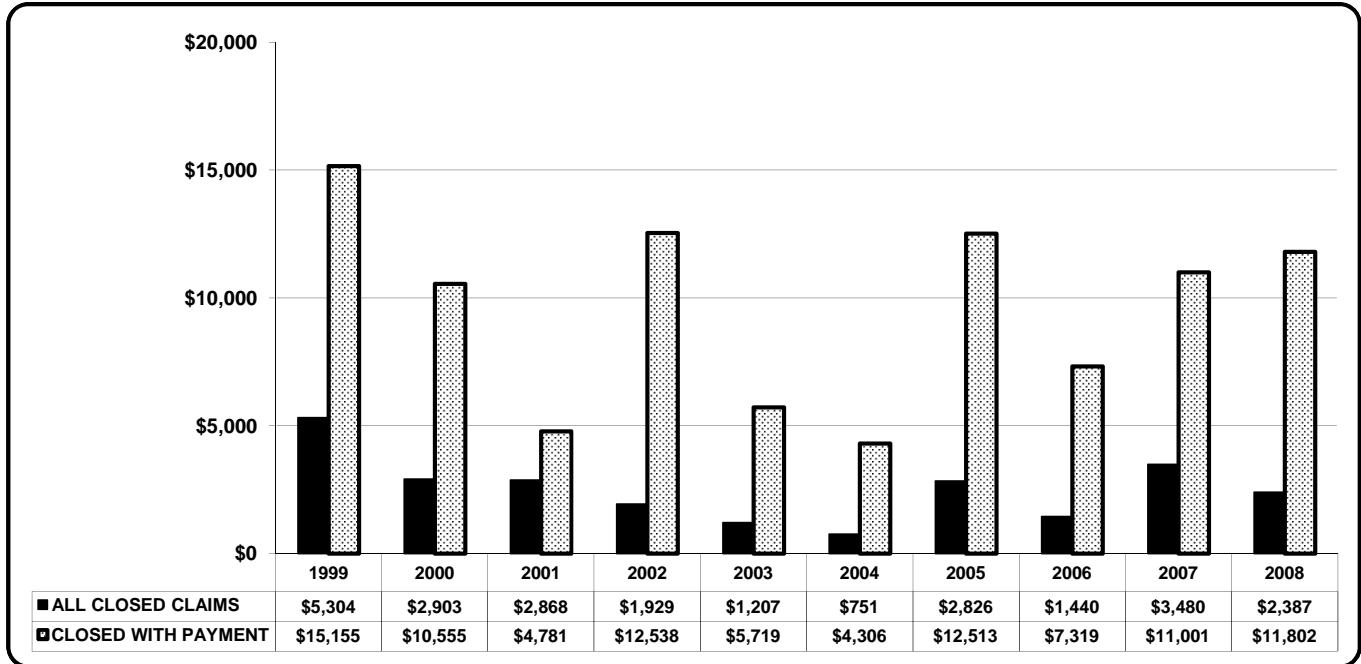
## TEN YEAR SUMMARY

1999 - 2008

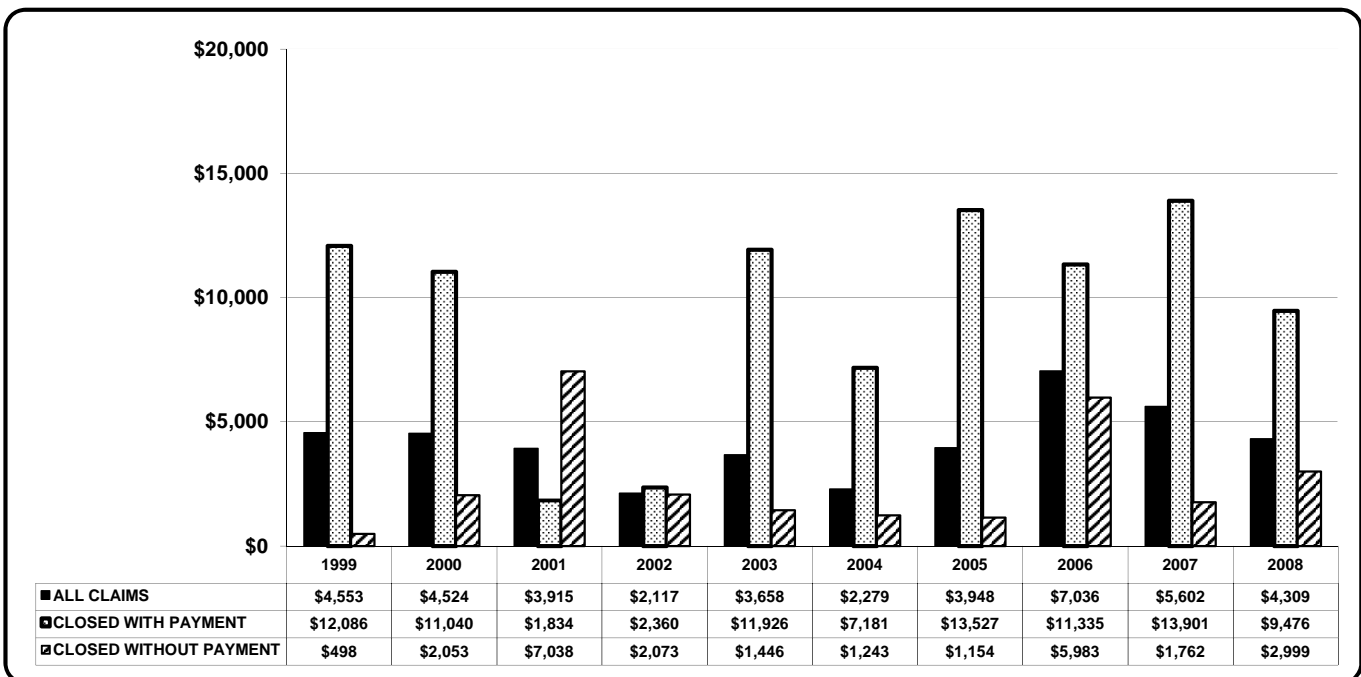
CLOSED CLAIMS	NUMBER OF CLAIMS	PERCENT OF CLAIMS	TOTAL INDEMNITY PAID	AVERAGE INDEMNITY PAID	TOTAL LOSS EXPENSES PAID	AVERAGE LOSS EXPENSE PAID
All Closed Claims	691	100.0%	\$1,605,652	\$2,324	\$2,911,089	\$4,213
Closed with Payment	161	23.3%	\$1,605,652	\$9,973	\$1,808,570	\$11,233
Closed without Payment	530	76.7%	\$0	\$0	\$1,102,519	\$2,080

# MISSOURI REAL ESTATE MALPRACTICE INSURANCE

## Average Paid Claim

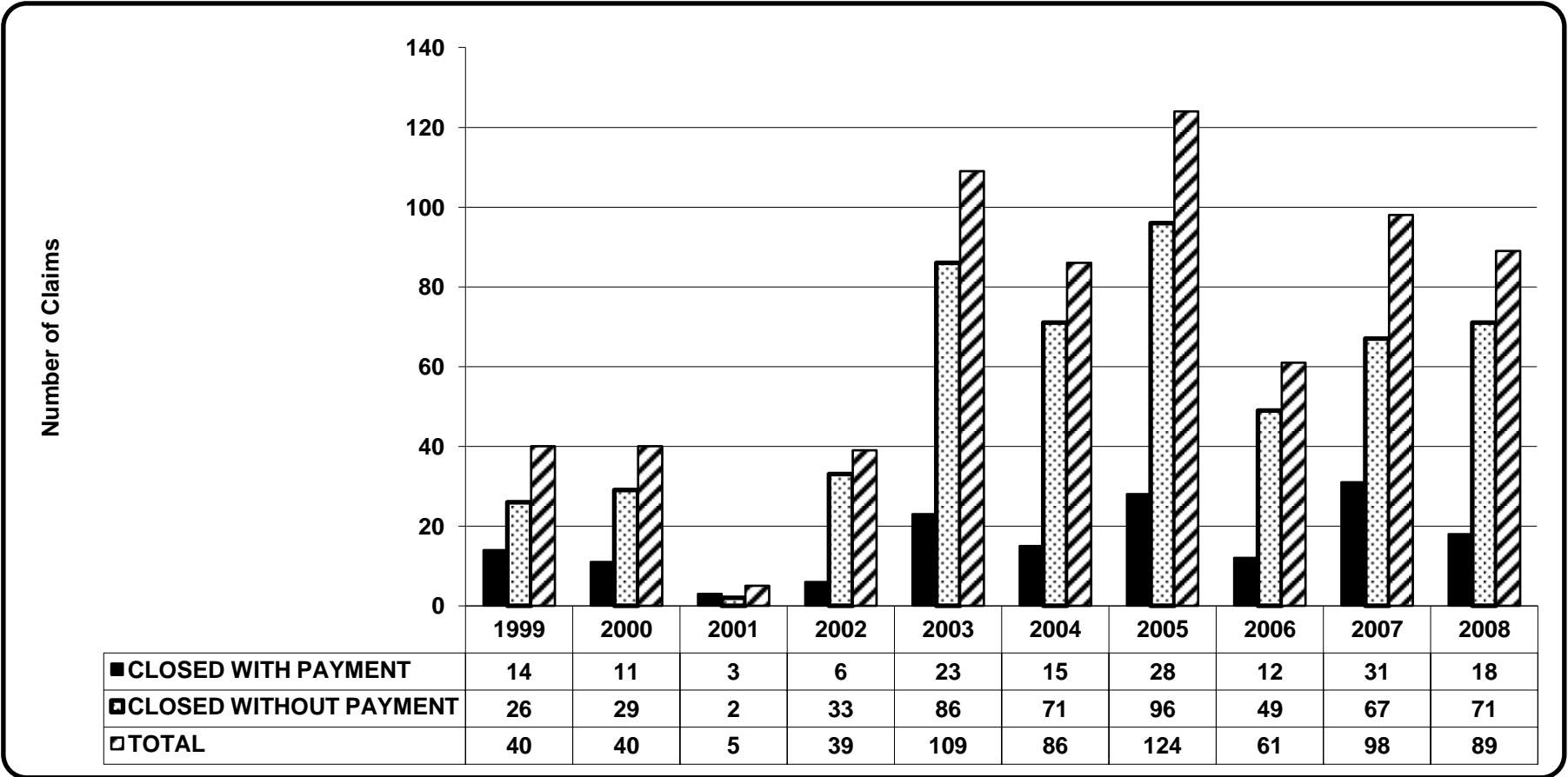


## Average Paid Loss Adjustment Expense



MISSOURI REAL ESTATE MALPRACTICE INSURANCE

Claim Count







**TEN YEAR SUMMARY  
&  
2008 SUMMARY  
BY  
AREA OF REAL ESTATE**



REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

FOR YEARS 1999 - 2008

AREA OF REAL ESTATE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
AS AGENT TO PROCURE PURCHASE OF PROPERTY	541	129	80.12%	\$9,841	\$1,269,433	79.06%	\$4,047
AS AGENT TO PROCURE PROPERTY TO PURCHASE	150	32	19.88%	\$10,507	\$336,219	20.94%	\$4,812
TOTAL	691	161	100.00%	\$9,973	\$1,605,652	100.00%	\$4,213

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

## CLAIMS CLOSED IN 2008

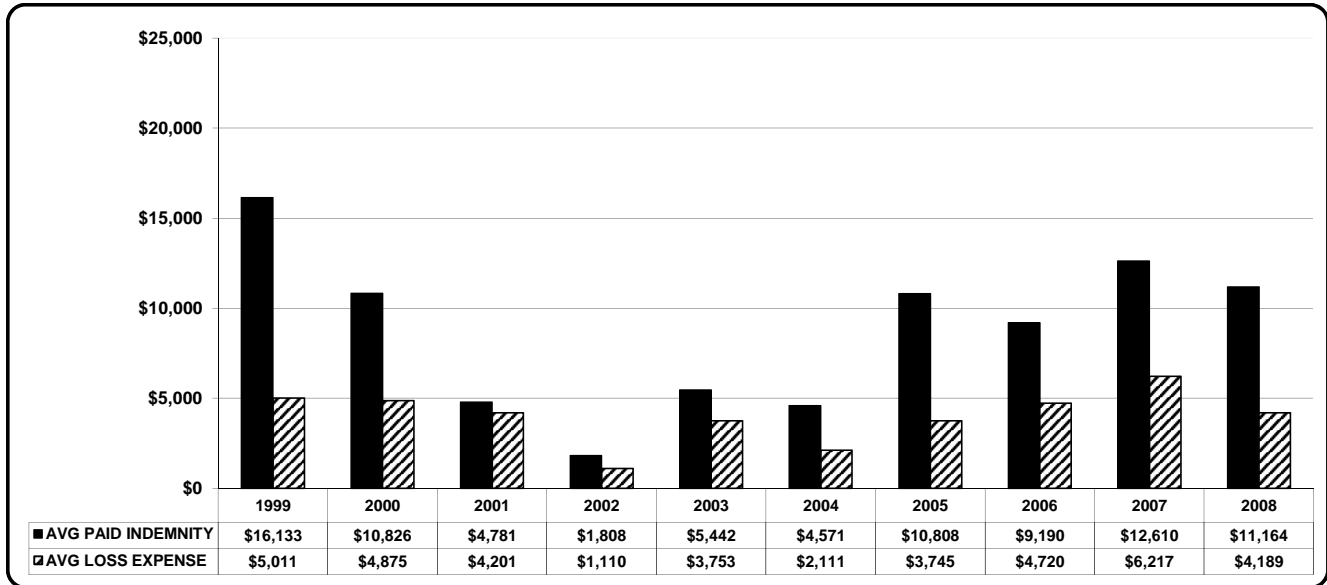
AREA OF REAL ESTATE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
AS AGENT TO PROCURE PURCHASE OF PROPERTY	71	16	88.89%	\$11,164	\$178,622	84.08%	\$4,189
AS AGENT TO PROCURE PROPERTY TO PURCHASE	18	2	11.11%	\$16,910	\$33,819	15.92%	\$4,779
TOTAL	89	18	100.00%	\$11,802	\$212,441	100.00%	\$4,309

**AREA OF REAL ESTATE  
TRENDS  
OF  
2008**

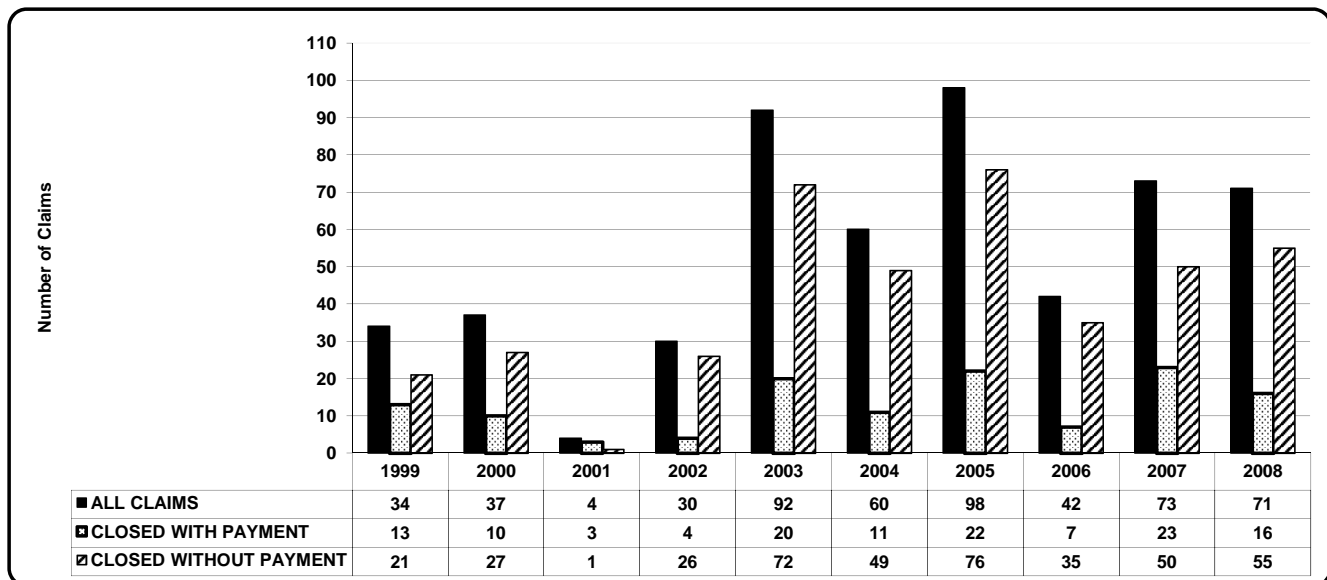


## AS AGENT TO PROCURE PURCHASE OF PROPERTY (Seller)

Average Paid Indemnity & Average Loss Expense

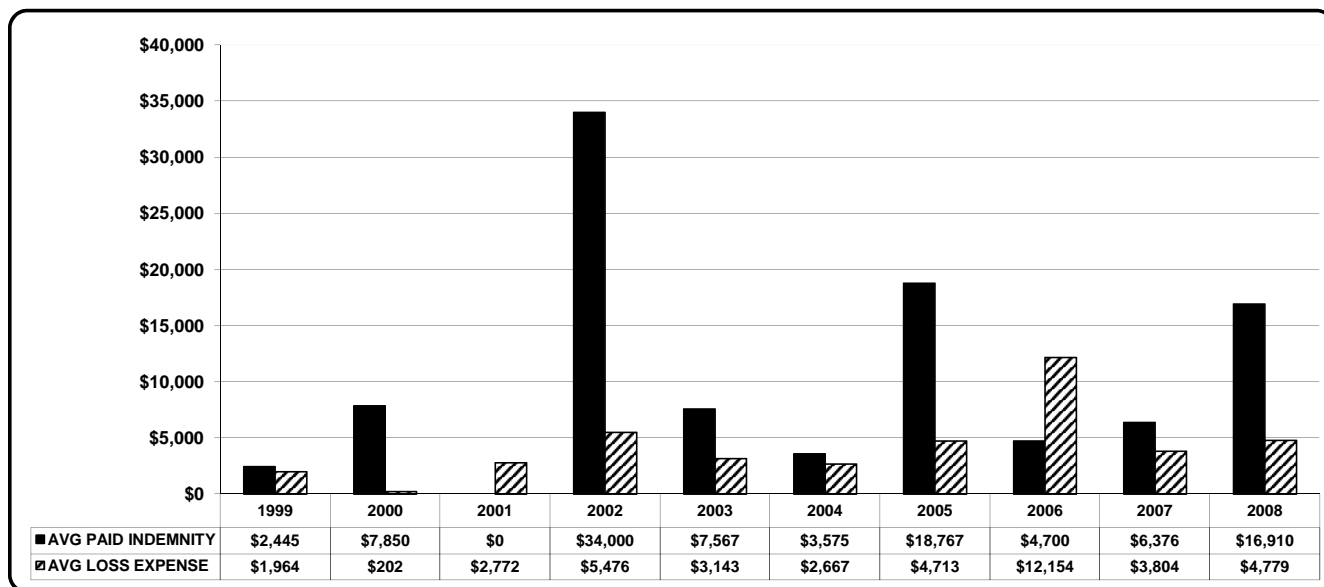


Claim Count

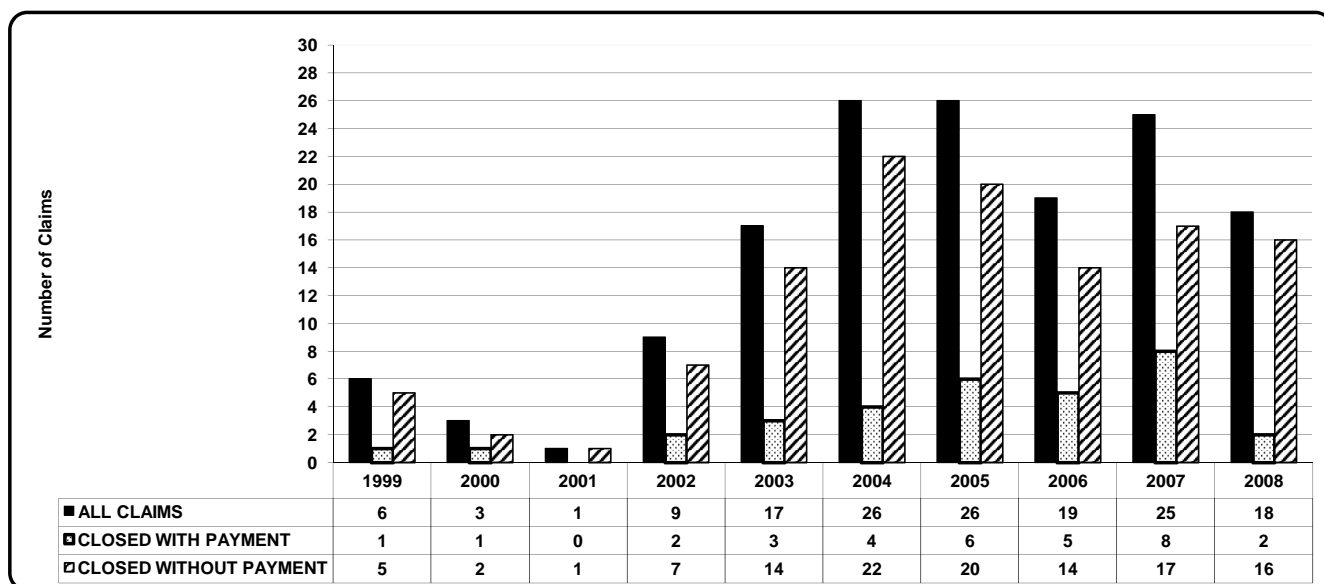


## AS AGENT TO PROCURE PROPERTY TO PURCHASE (Buyer)

### Average Paid Indemnity & Average Loss Expense



### Claim Count





**TEN YEAR SUMMARY  
&  
2008 SUMMARY  
BY  
MAJOR ACTIVITY**



REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

FOR YEARS 1999 - 2008

MAJOR ACTIVITY CODE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
LISTING THE PROPERTY FOR SALE	445	99	61.49%	\$9,791	\$969,346	60.37%	\$3,866
SHOWING PROPERTY	172	37	22.98%	\$9,346	\$345,817	21.54%	\$4,607
CLOSING AND TRANSFERRING TITLE	74	25	15.53%	\$11,620	\$290,489	18.09%	\$5,382
TOTAL	691	161	100.00%	\$9,973	\$1,605,652	100.00%	\$4,213

# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

## CLAIMS CLOSED IN 2008

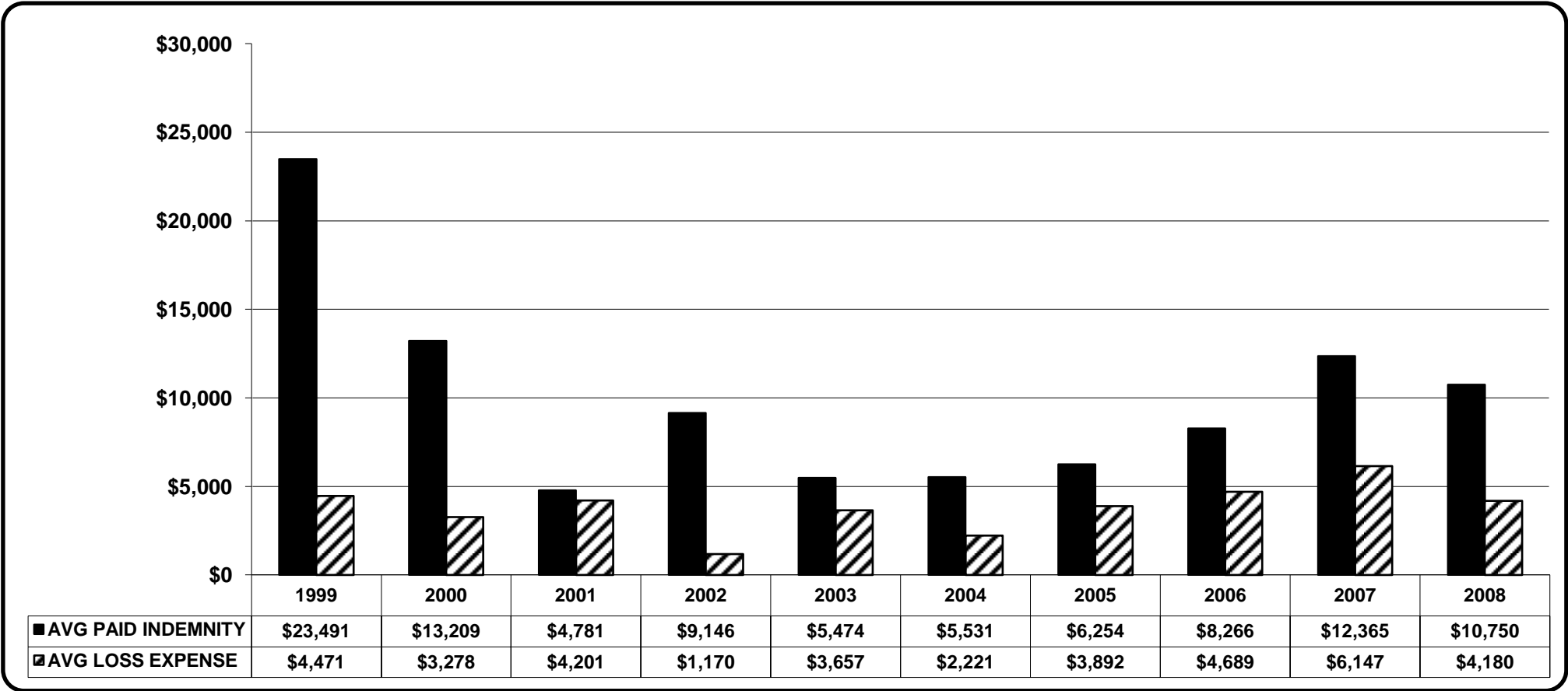
MAJOR ACTIVITY CODE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
LISTING THE PROPERTY FOR SALE	49	10	55.56%	\$10,750	\$107,500	50.60%	\$4,180
SHOWING PROPERTY	28	6	33.33%	\$12,040	\$72,241	34.01%	\$5,136
CLOSING AND TRANSFERRING TITLE	12	2	11.11%	\$16,350	\$32,700	15.39%	\$2,900
TOTAL	89	18	100.00%	\$11,802	\$212,441	100.00%	\$4,309

**MAJOR ACTIVITY  
TRENDS  
OF  
2008**

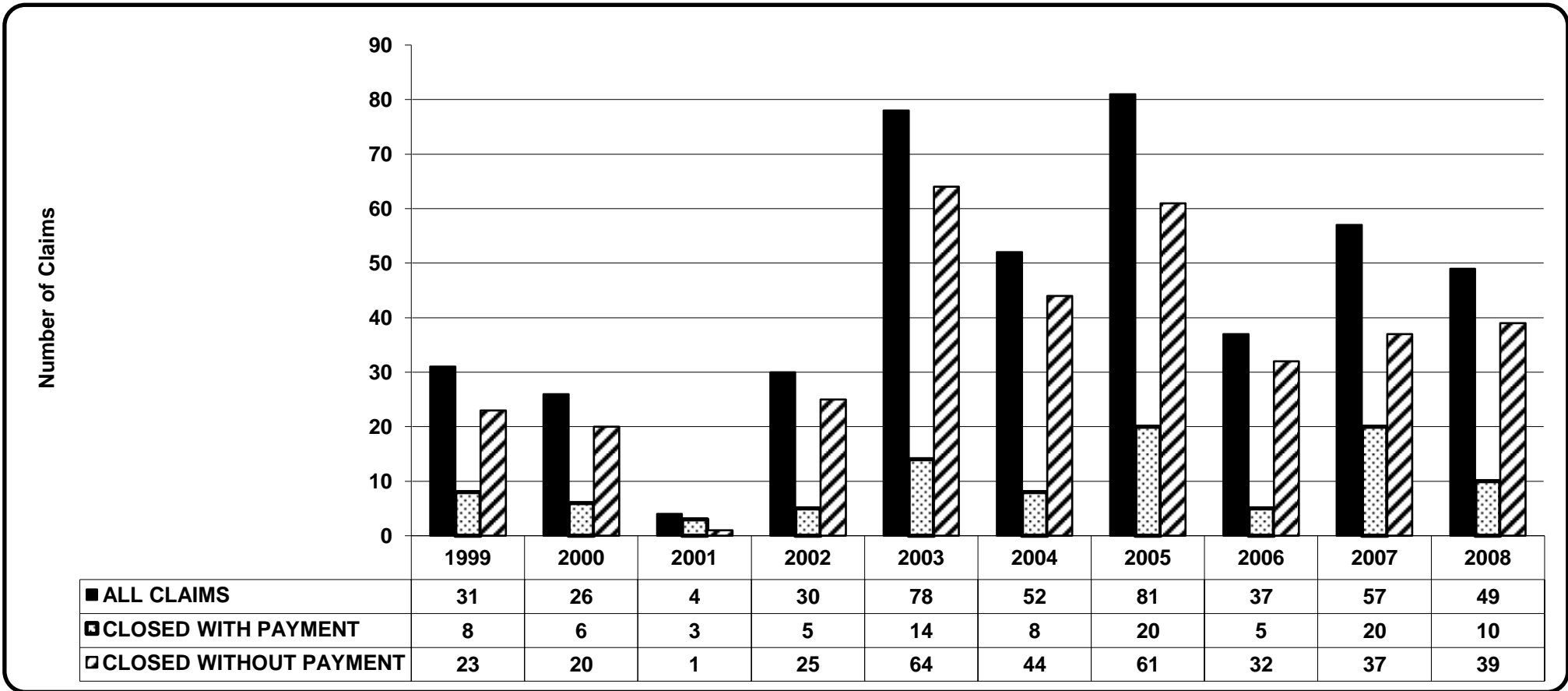


LISTING THE PROPERTY FOR SALE

Average Paid Indemnity & Average Loss Expense

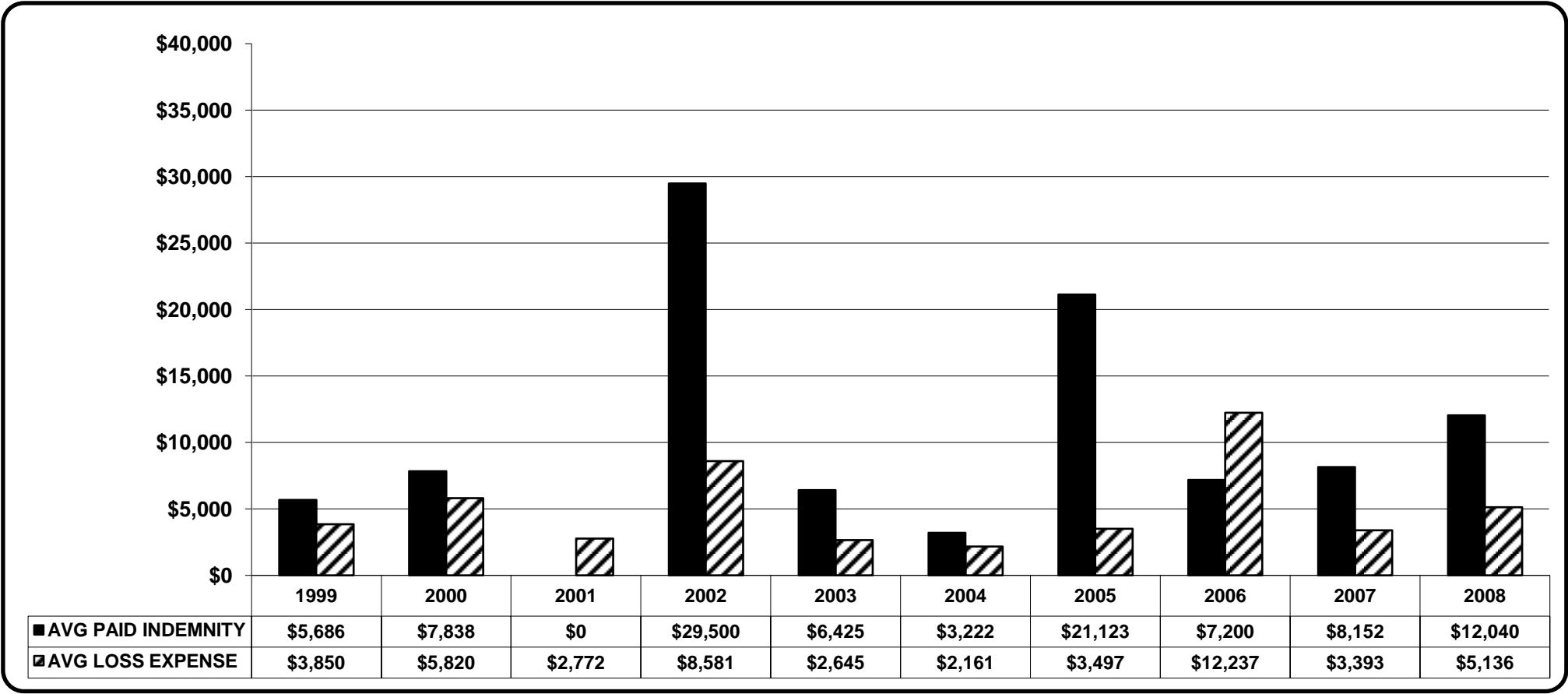


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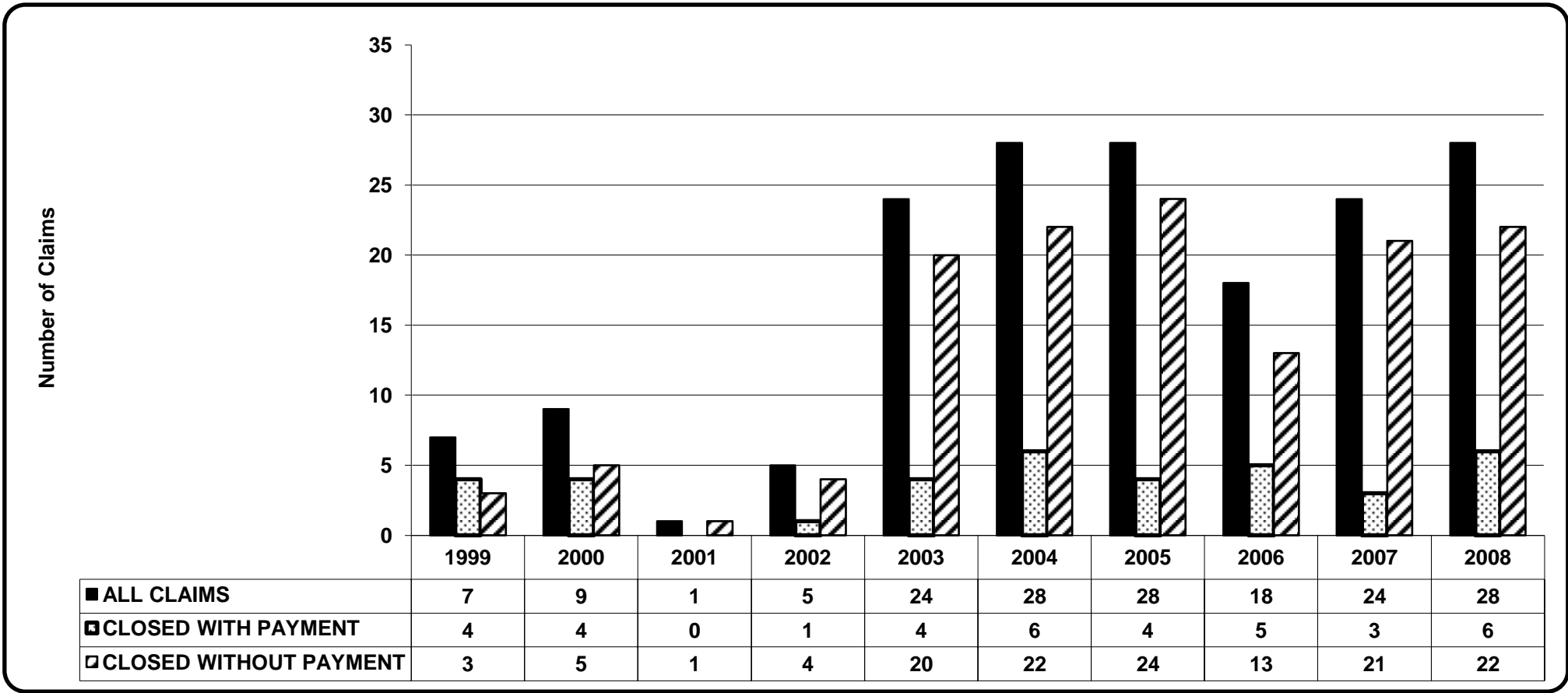


SHOWING PROPERTY

Average Paid Indemnity & Average Loss Expense



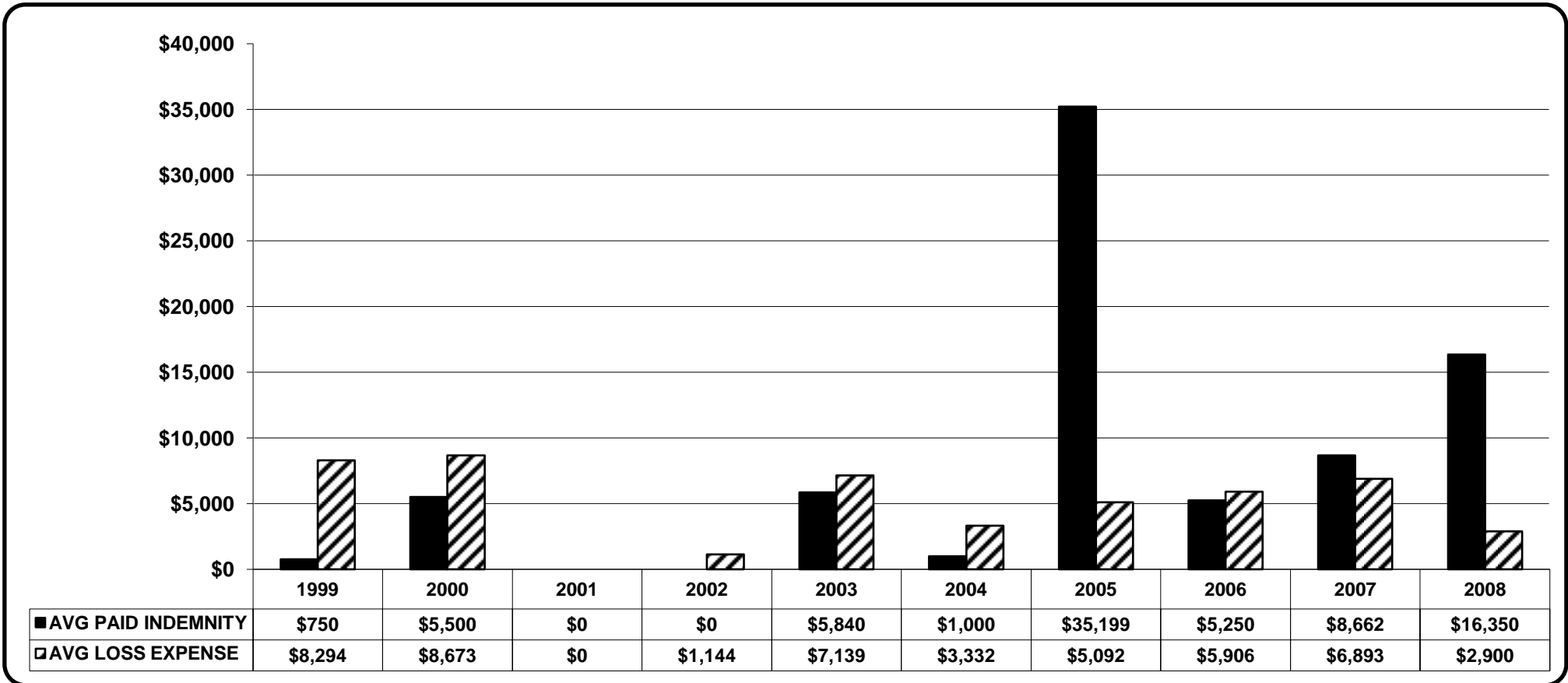
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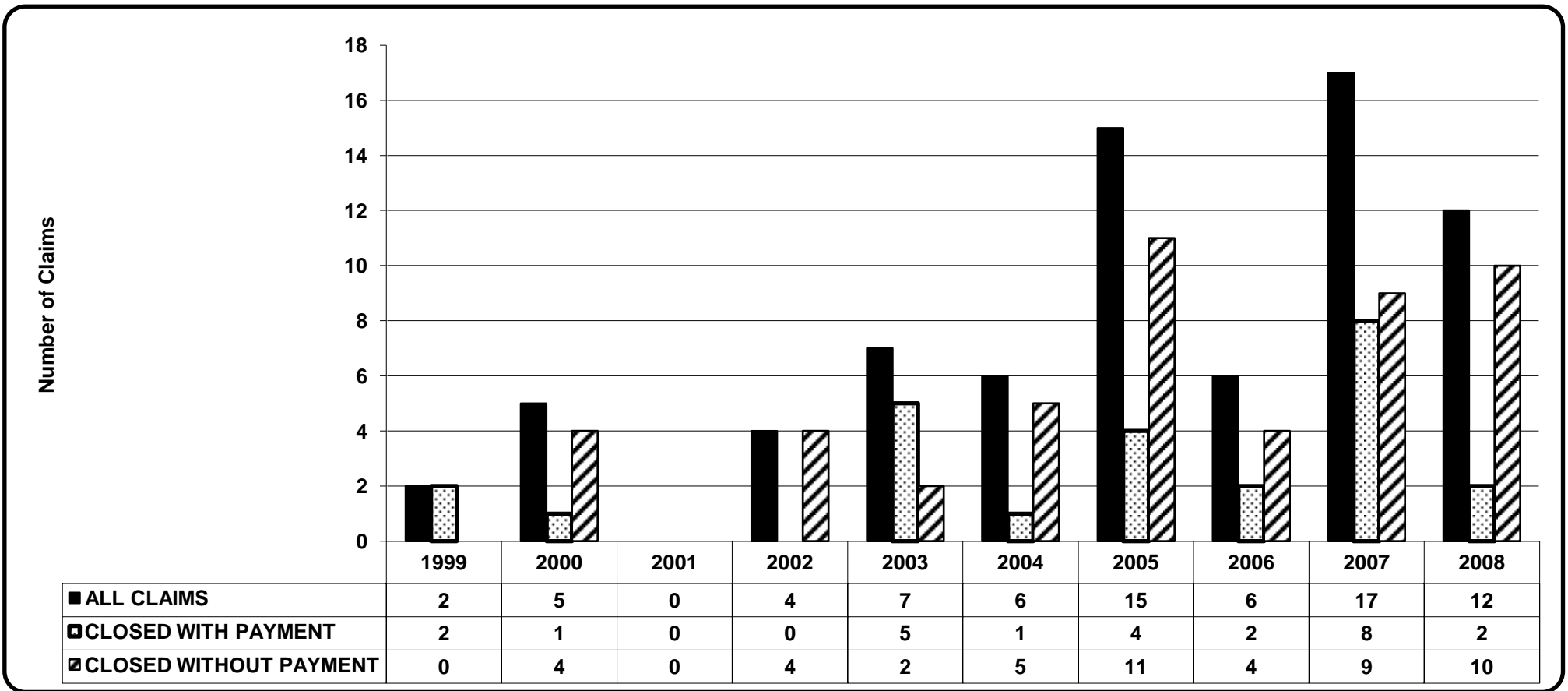


CLOSING AND TRANSFERRING TITLE

Average Paid Indemnity & Average Loss Expense



Claim Count





**TEN YEAR SUMMARY  
&  
2008 SUMMARY  
BY  
ALLEGED ERROR OR OMISSION**



# REAL ESTATE MALPRACTICE INSURANCE INDEMNITY ANALYSIS

FOR YEARS 1999 - 2008

ALLEGED ERROR OR OMISSION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY	476	123	76.40%	\$9,141	\$1,124,282	70.02%	\$4,758
OTHER	171	29	18.01%	\$14,058	\$407,670	25.39%	\$2,838
FAILURE TO CORRECTLY COMPLETE FORMS TO TRANSFER OWNERSHIP	44	9	5.59%	\$8,189	\$73,700	4.59%	\$3,659
TOTAL	691	161	100.00%	\$9,973	\$1,605,652	100.00%	\$4,213

REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

CLAIMS CLOSED IN 2008

ALLEGED ERROR OR OMISSION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY	57	11	61.11%	\$12,307	\$135,377	63.72%	\$5,275
OTHER	24	4	22.22%	\$13,516	\$54,064	25.45%	\$2,946
FAILURE TO CORRECTLY COMPLETE FORMS TO TRANSFER OWNERSHIP	8	3	16.67%	\$7,667	\$23,000	10.83%	\$1,511
TOTAL	89	18	100.00%	\$11,802	\$212,441	100.00%	\$4,309

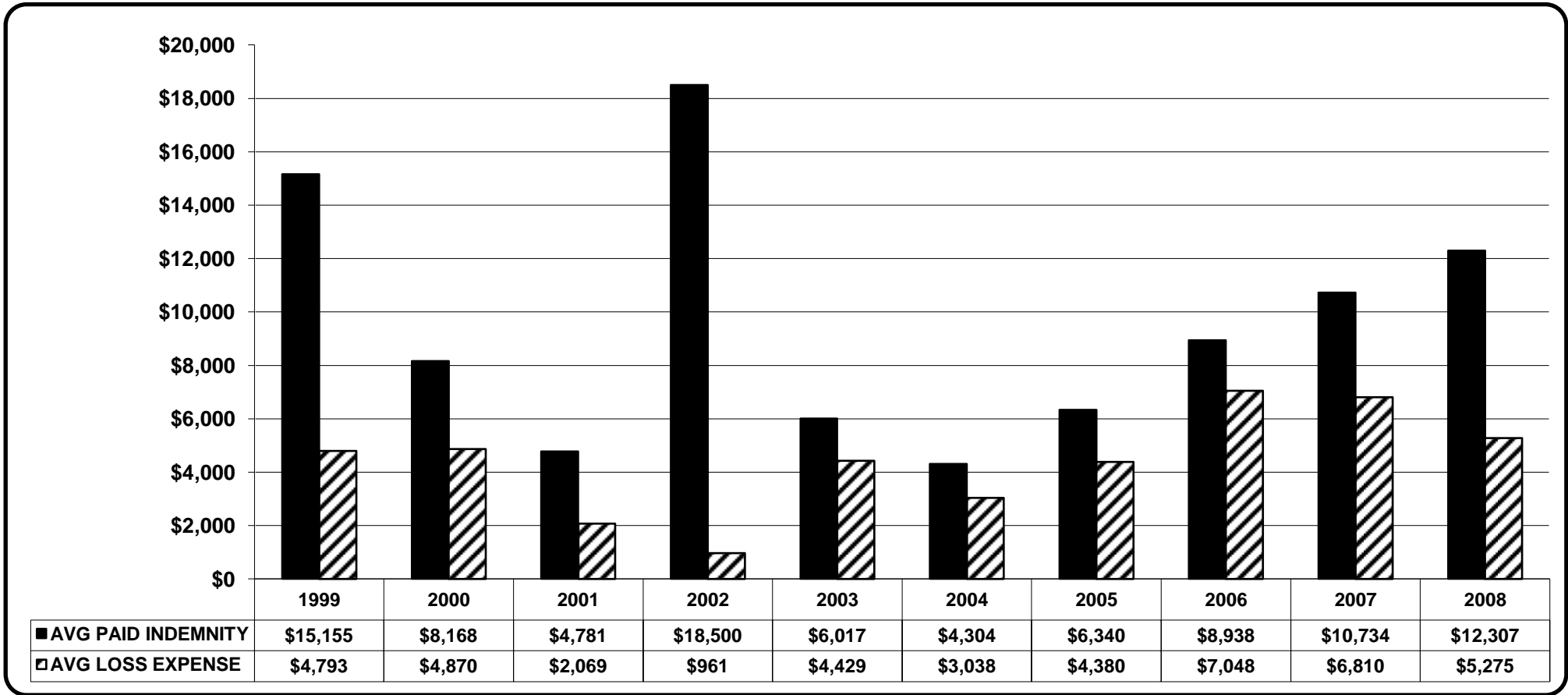
**ALLEGED ERROR OR OMISSION  
TRENDS  
OF  
2008**



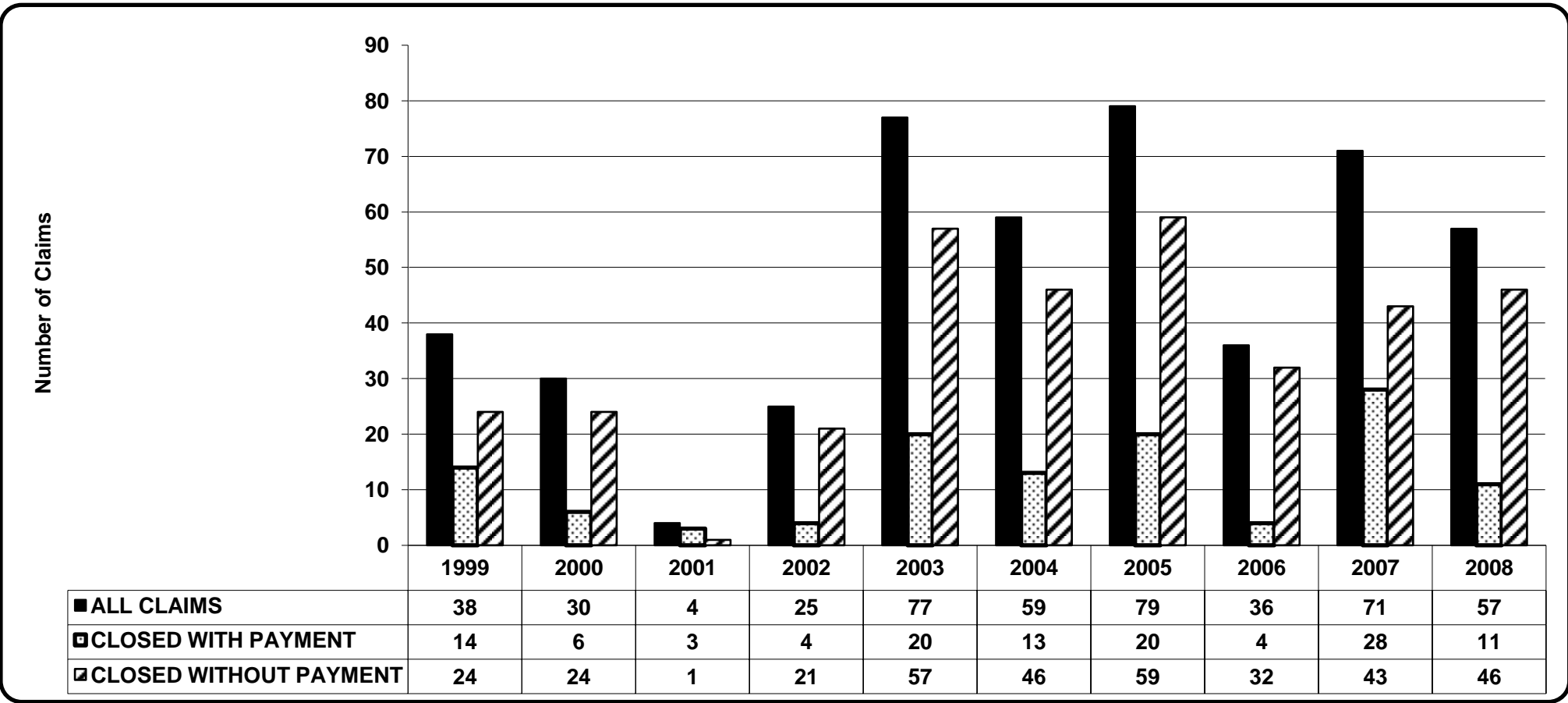


FAILURE TO DISCLOSE MATERIAL FACT ABOUT THE PROPERTY

Average Paid Indemnity & Average Loss Expense

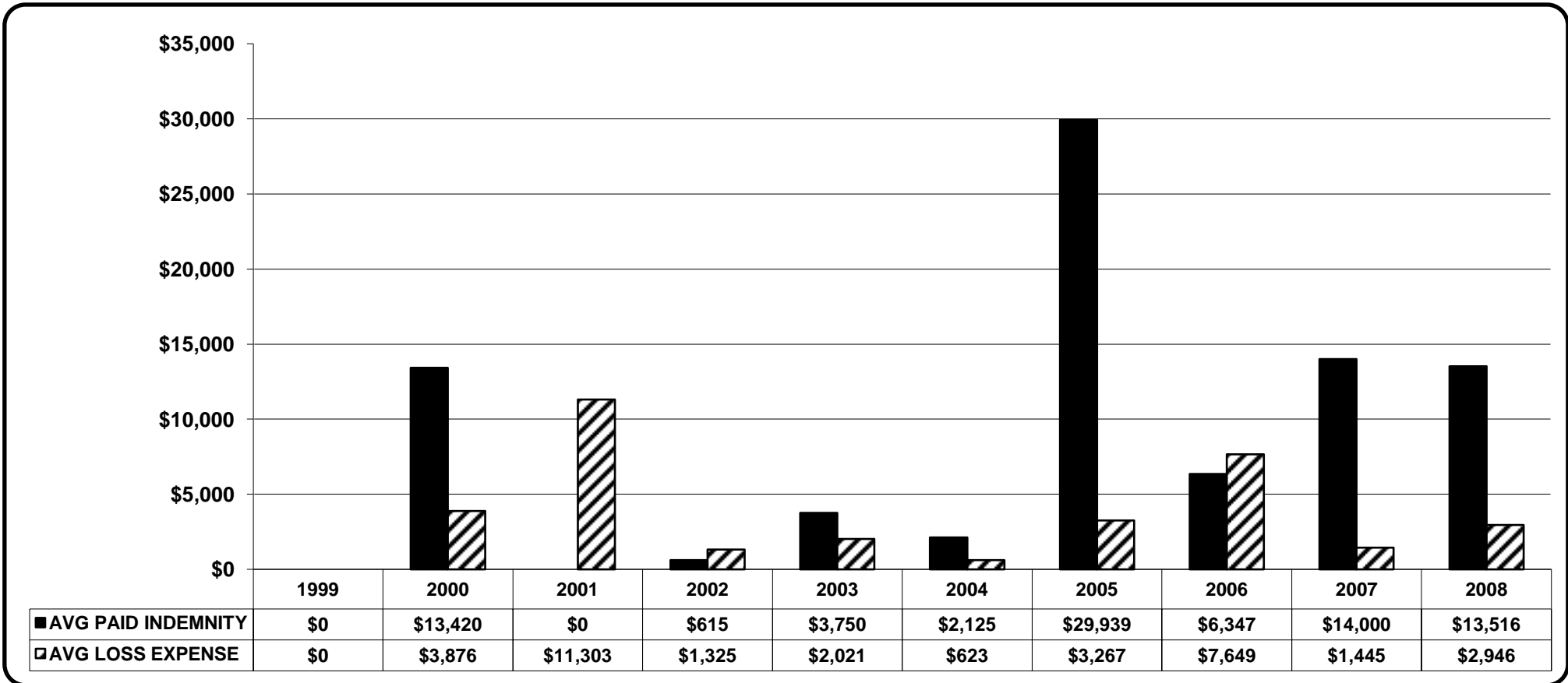


Claim Count

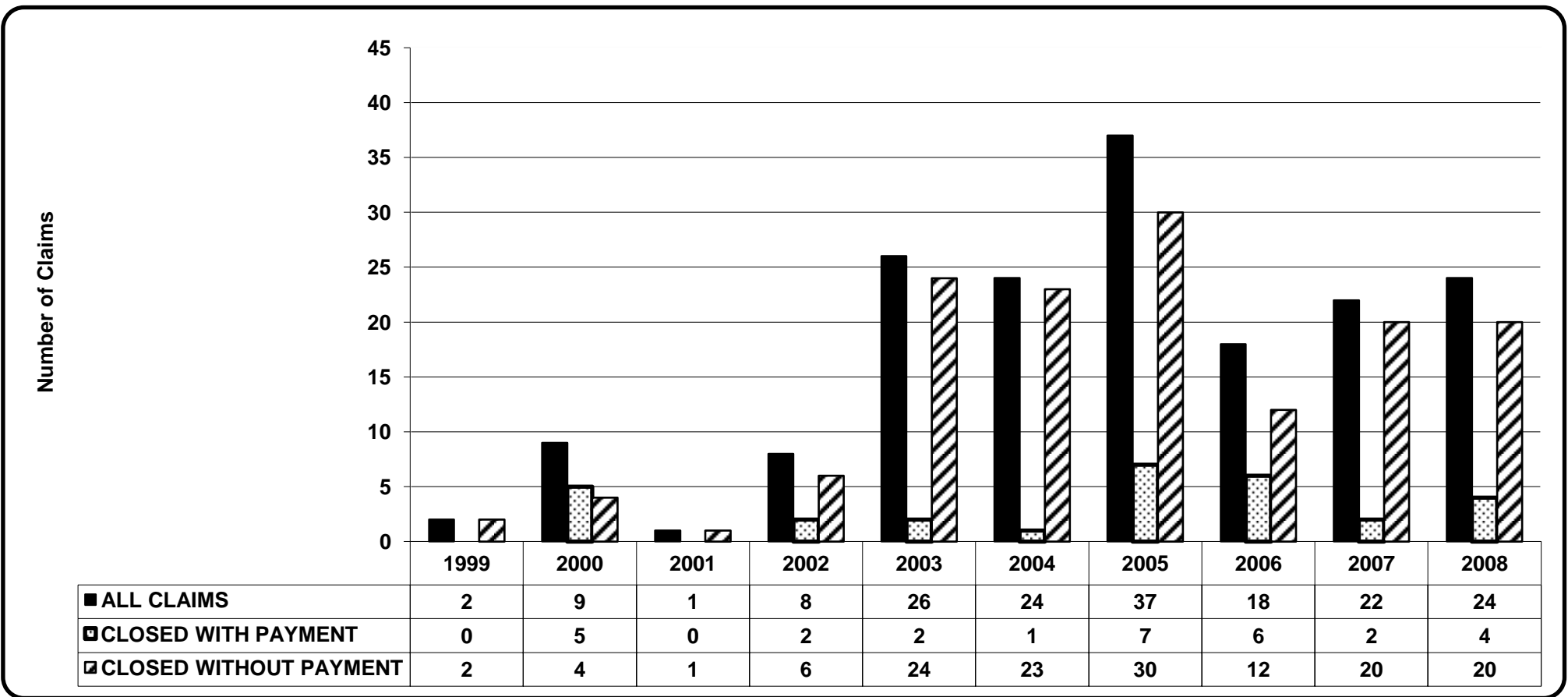


OTHER

Average Paid Indemnity & Average Loss Expense

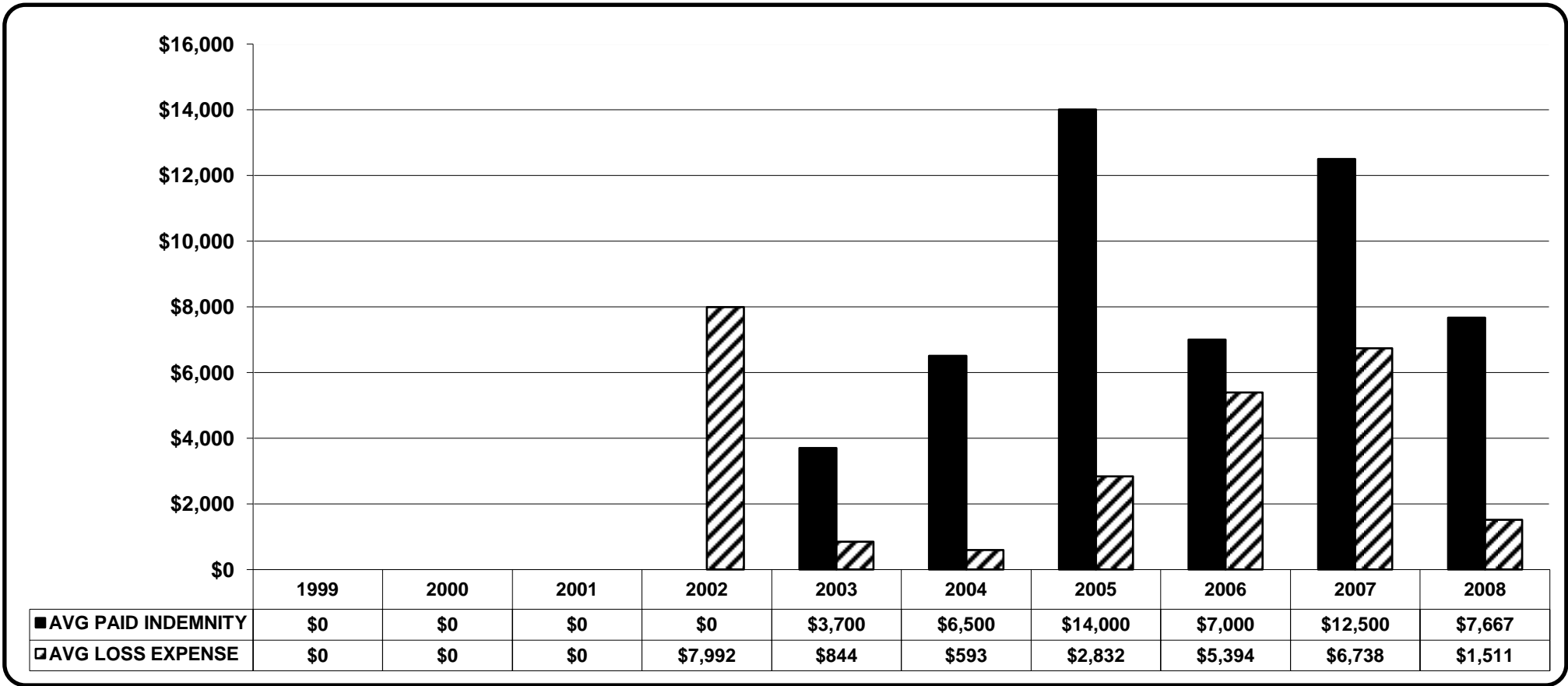


Claim Count

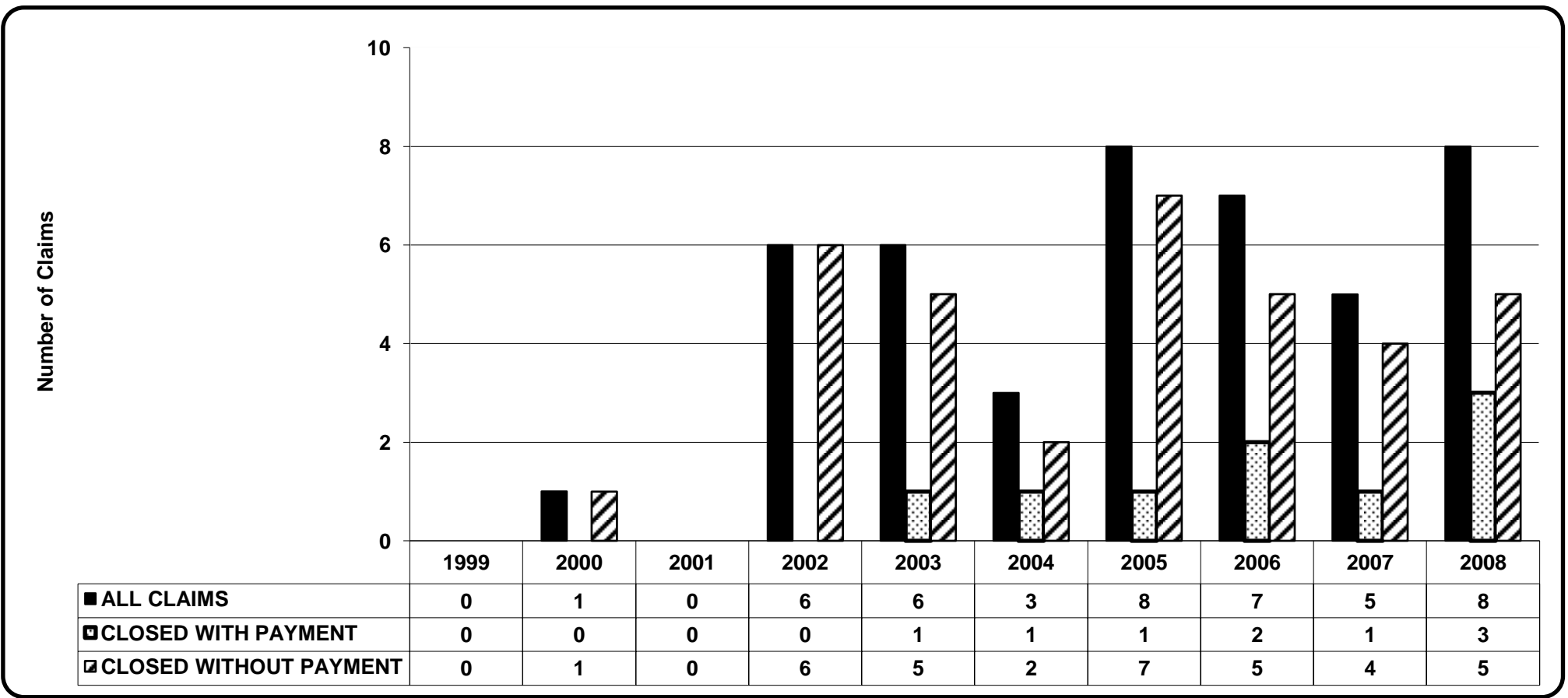


FAILURE TO CORRECTLY COMPLETE FORMS TO TRANSFER OWNERSHIP

Average Paid Indemnity & Average Loss Expense



Claim Count





**TEN YEAR SUMMARY  
&  
2008 SUMMARY  
BY  
CLAIM DISPOSITION**



# REAL ESTATE MALPRACTICE INSURANCE

## INDEMNITY ANALYSIS

FOR YEARS 1999 - 2008

CLAIM DISPOSITION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
BEFORE FILING SUIT OR DEMANDING HEARING	278	37	22.98%	\$7,576	\$280,329	17.46%	\$739
BEFORE TRIAL OR HEARING	246	117	72.67%	\$9,959	\$1,165,166	72.57%	\$9,304
CLAIM OR SUIT ABANDONED	127	0	0.00%	\$0	\$0	0.00%	\$379
AFTER JUDGMENT, BEFORE APPEAL	29	5	3.11%	\$24,931	\$124,657	7.76%	\$8,742
DURING TRIAL OR HEARING	7	1	0.62%	\$30,000	\$30,000	1.87%	\$4,176
DURING APPEAL	2	1	0.62%	\$5,500	\$5,500	0.34%	\$18,129
AFTER APPEAL	1	0	0.00%	\$0	\$0	0.00%	\$34,371
AFTER TRIAL OR HEARING, BEFORE JUDGMENT	1	0	0.00%	\$0	\$0	0.00%	\$15,174
TOTAL	691	161	100.00%	\$9,973	\$1,605,652	100.00%	\$4,213

REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

CLAIMS CLOSED IN 2008

CLAIM DISPOSITION	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
BEFORE FILING SUIT OR DEMANDING HEARING	32	5	27.78%	\$5,840	\$29,200	13.74%	\$857
BEFORE TRIAL OR HEARING	32	13	72.22%	\$14,095	\$183,241	86.26%	\$8,584
CLAIM OR SUIT ABANDONED	19	0	0.00%	\$0	\$0	0.00%	\$180
AFTER JUDGMENT, BEFORE APPEAL	3	0	0.00%	\$0	\$0	0.00%	\$7,361
DURING TRIAL OR HEARING	2	0	0.00%	\$0	\$0	0.00%	\$10,732
AFTER APPEAL	1	0	0.00%	\$0	\$0	0.00%	\$34,371
TOTAL	89	18	100.00%	\$11,802	\$212,441	100.00%	\$4,309

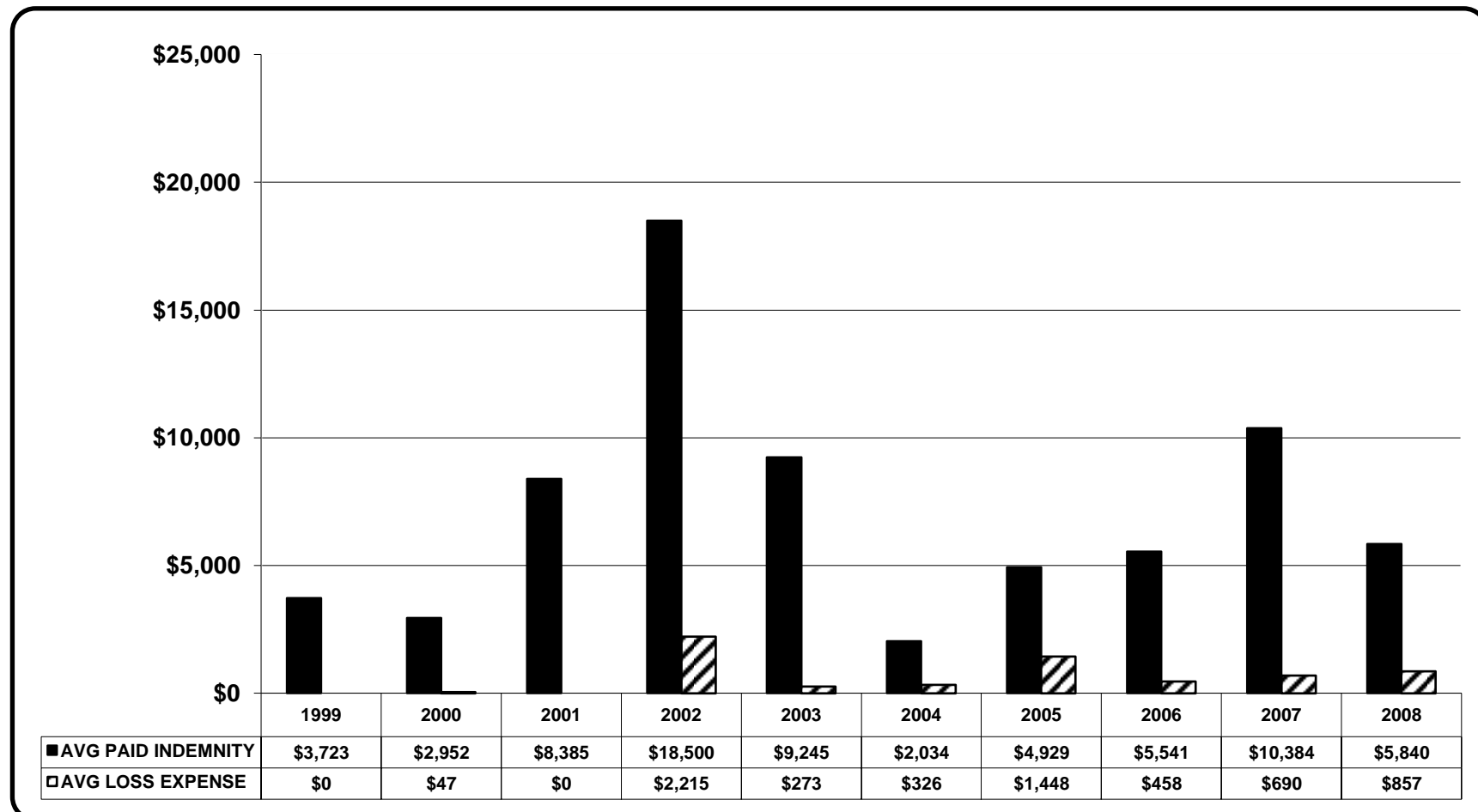


**CLAIM DISPOSITION  
TRENDS  
OF  
2008**

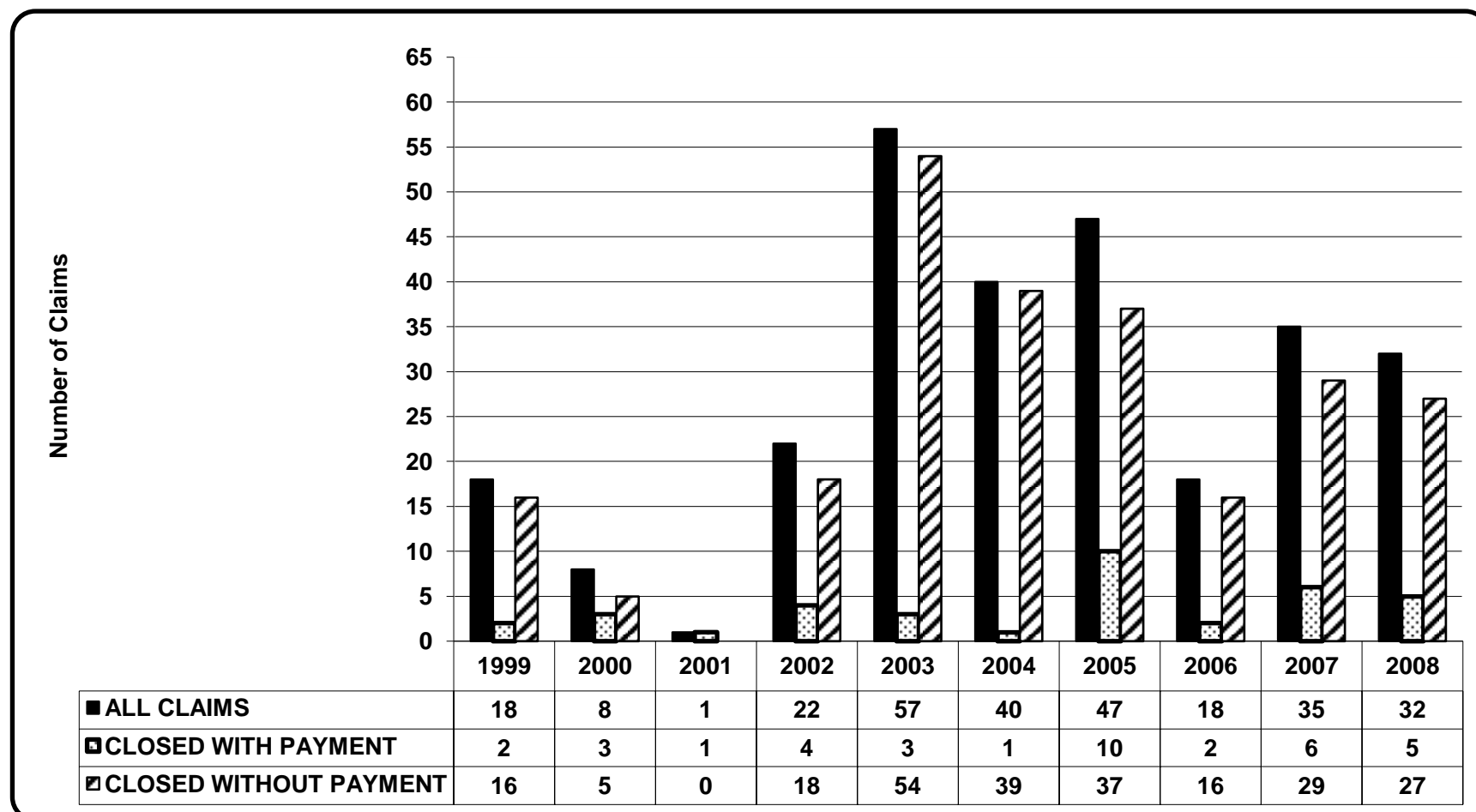


## BEFORE FILING SUIT OR DEMANDING HEARING

### Average Paid Indemnity & Average Loss Expense

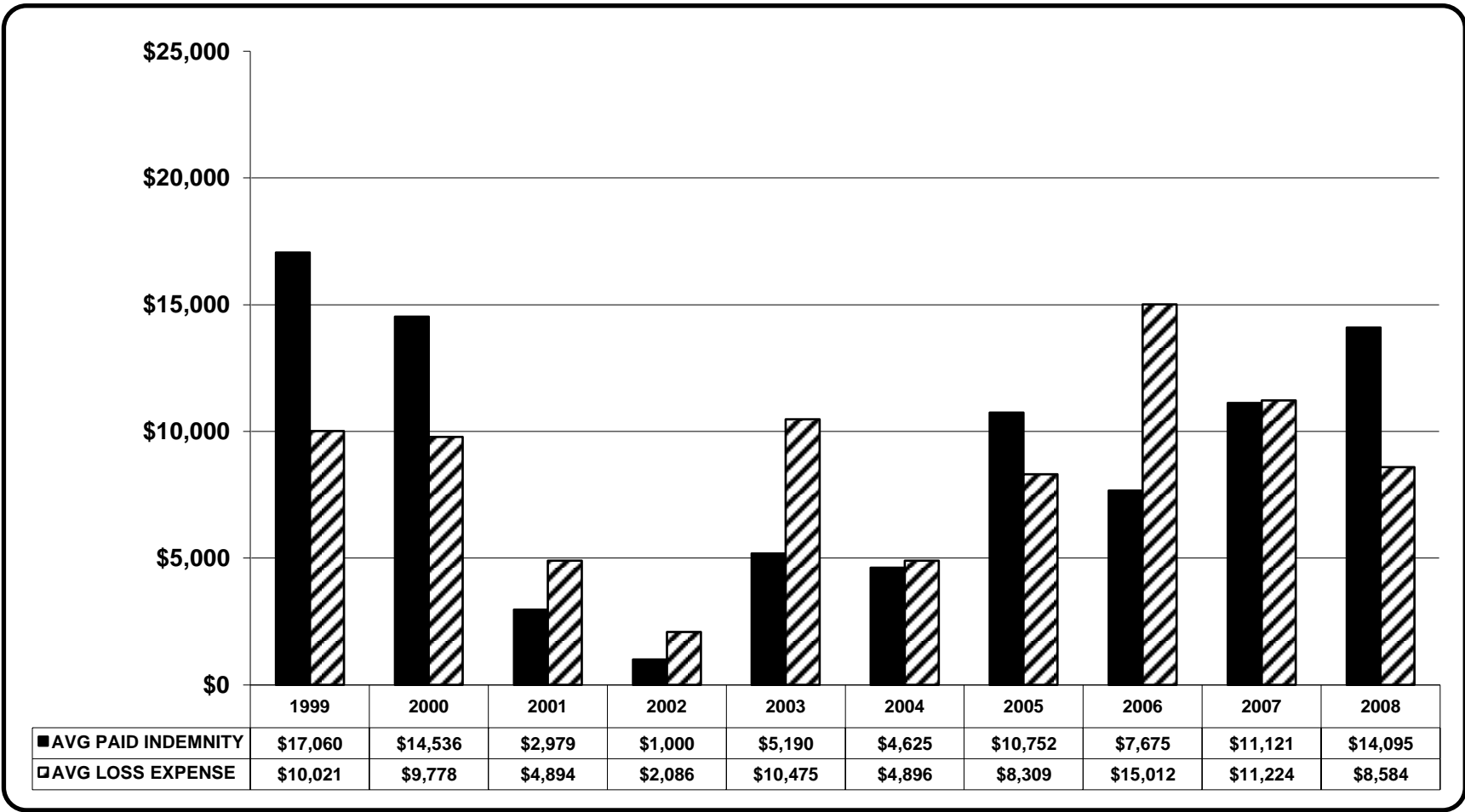


### Claim Count

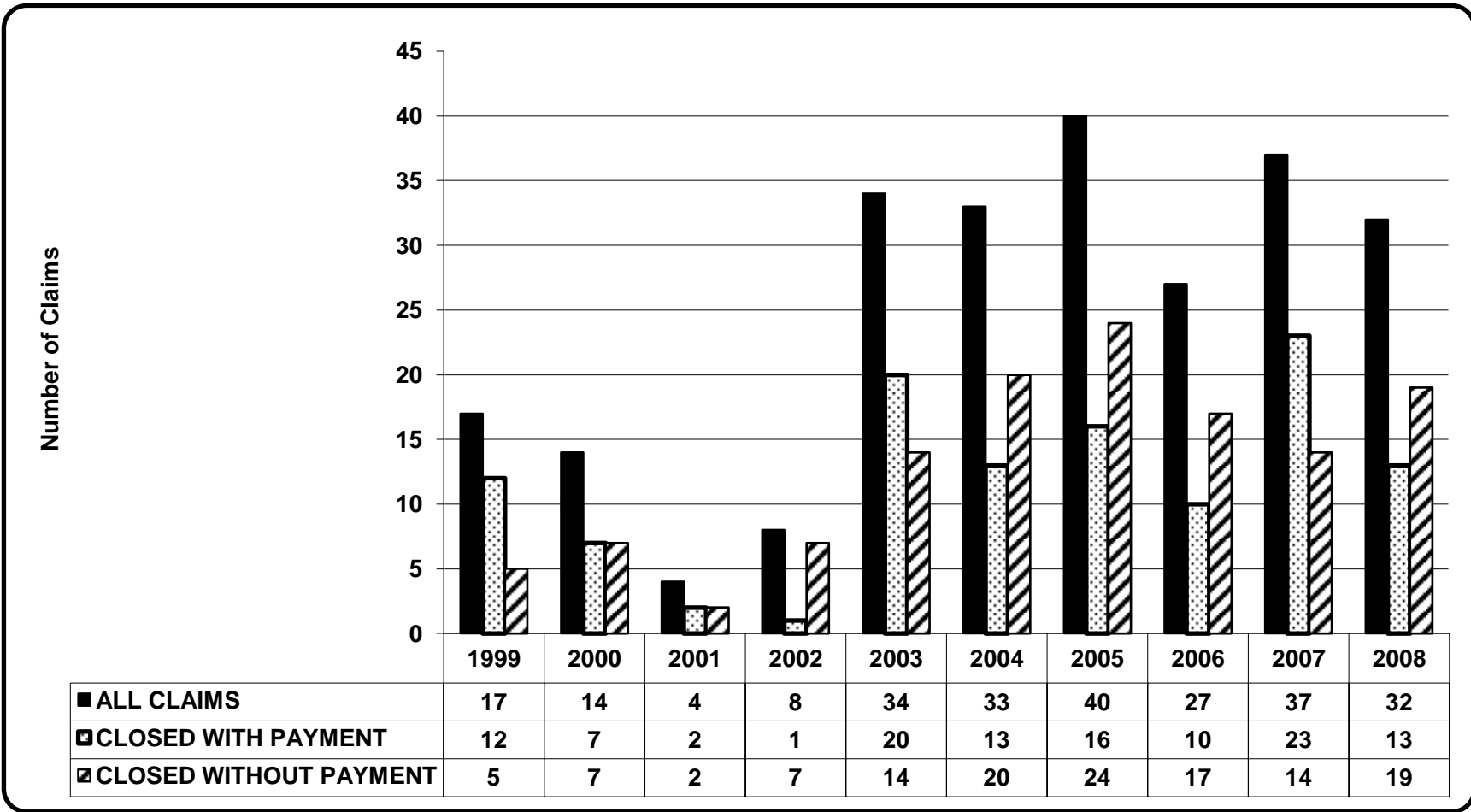


# BEFORE TRIAL OR HEARING

Average Paid Indemnity & Average Loss Expense

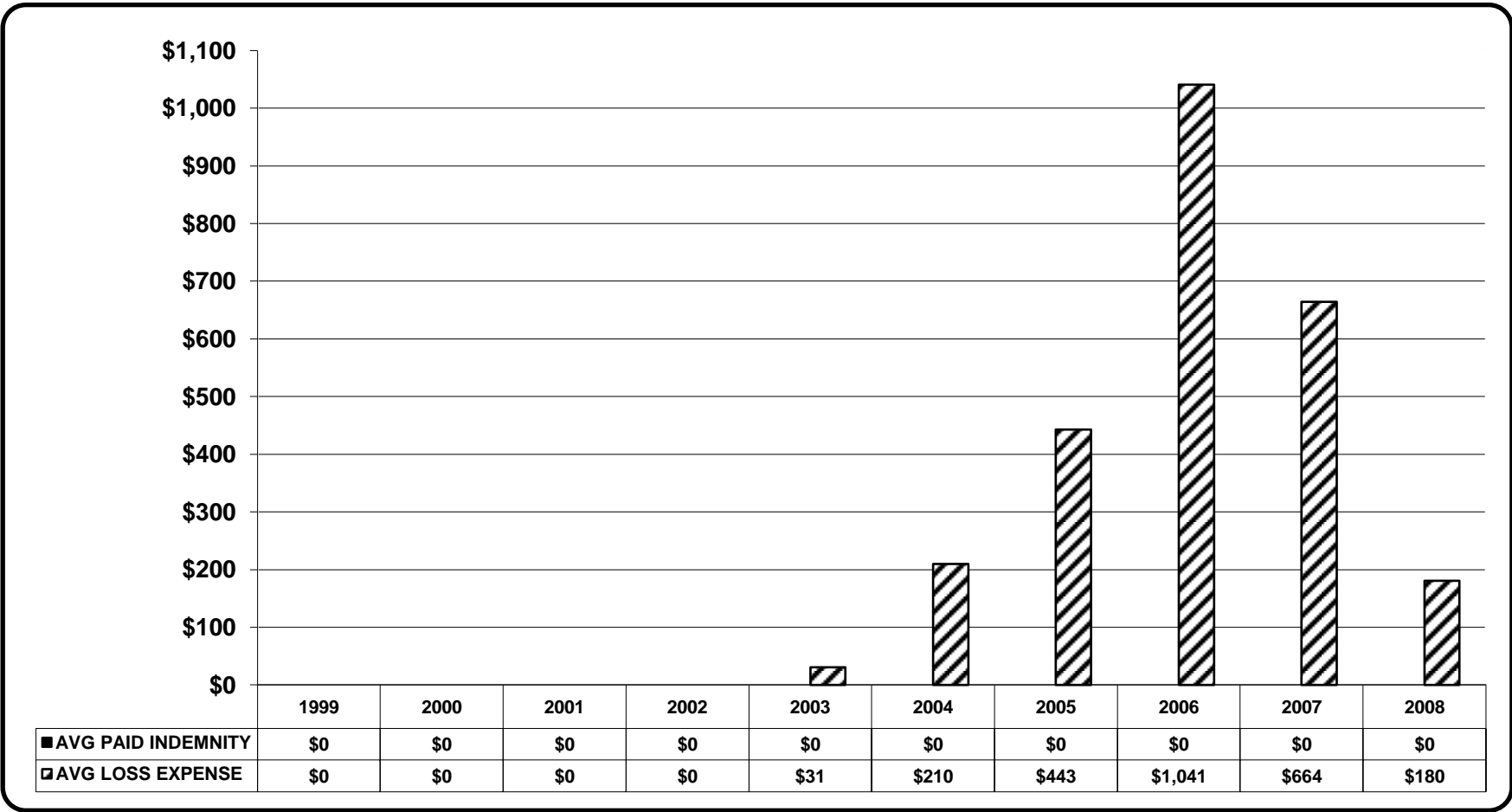


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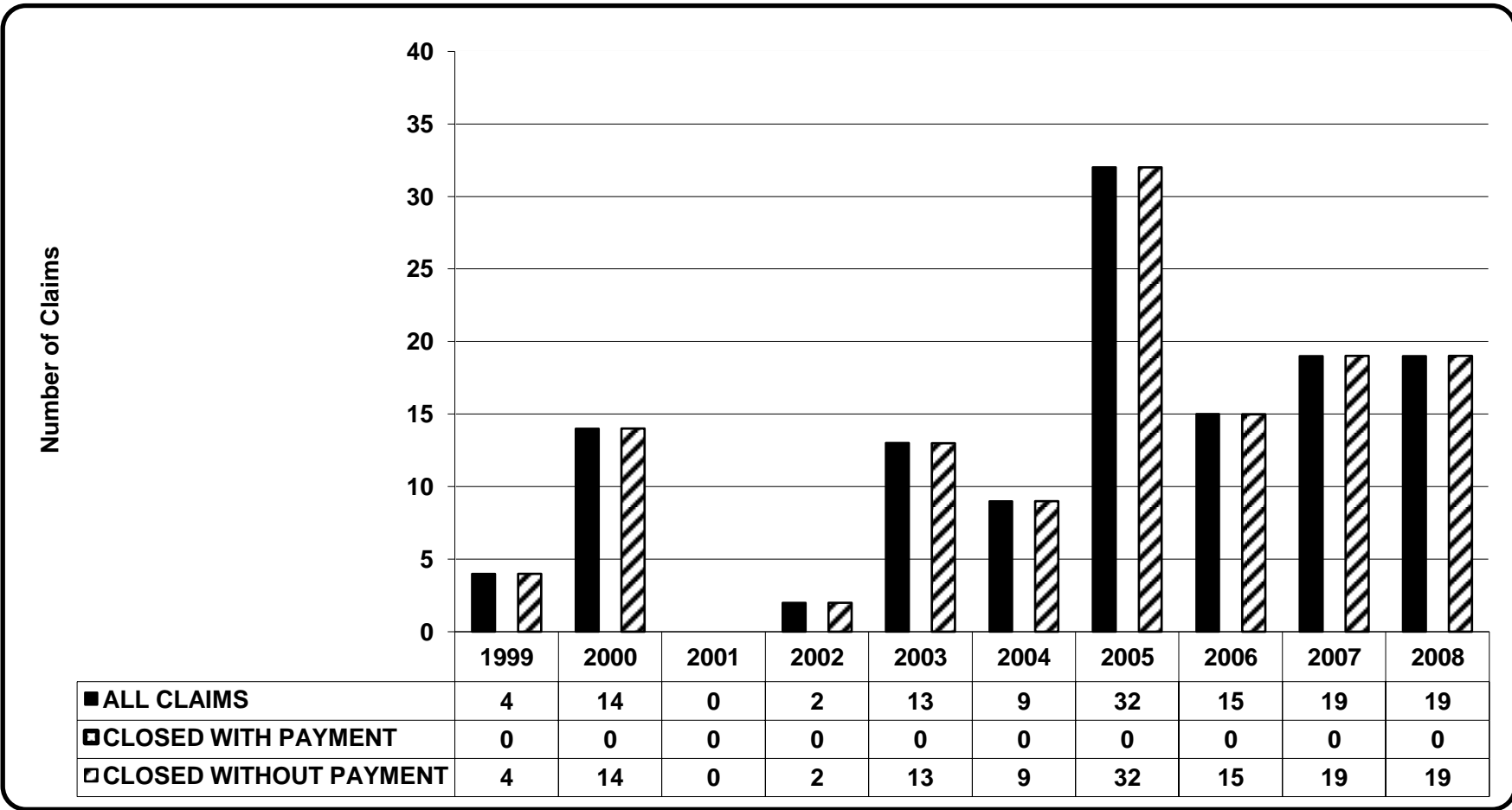


CLAIM OR SUIT ABANDONED

Average Paid Indemnity & Average Loss Expense

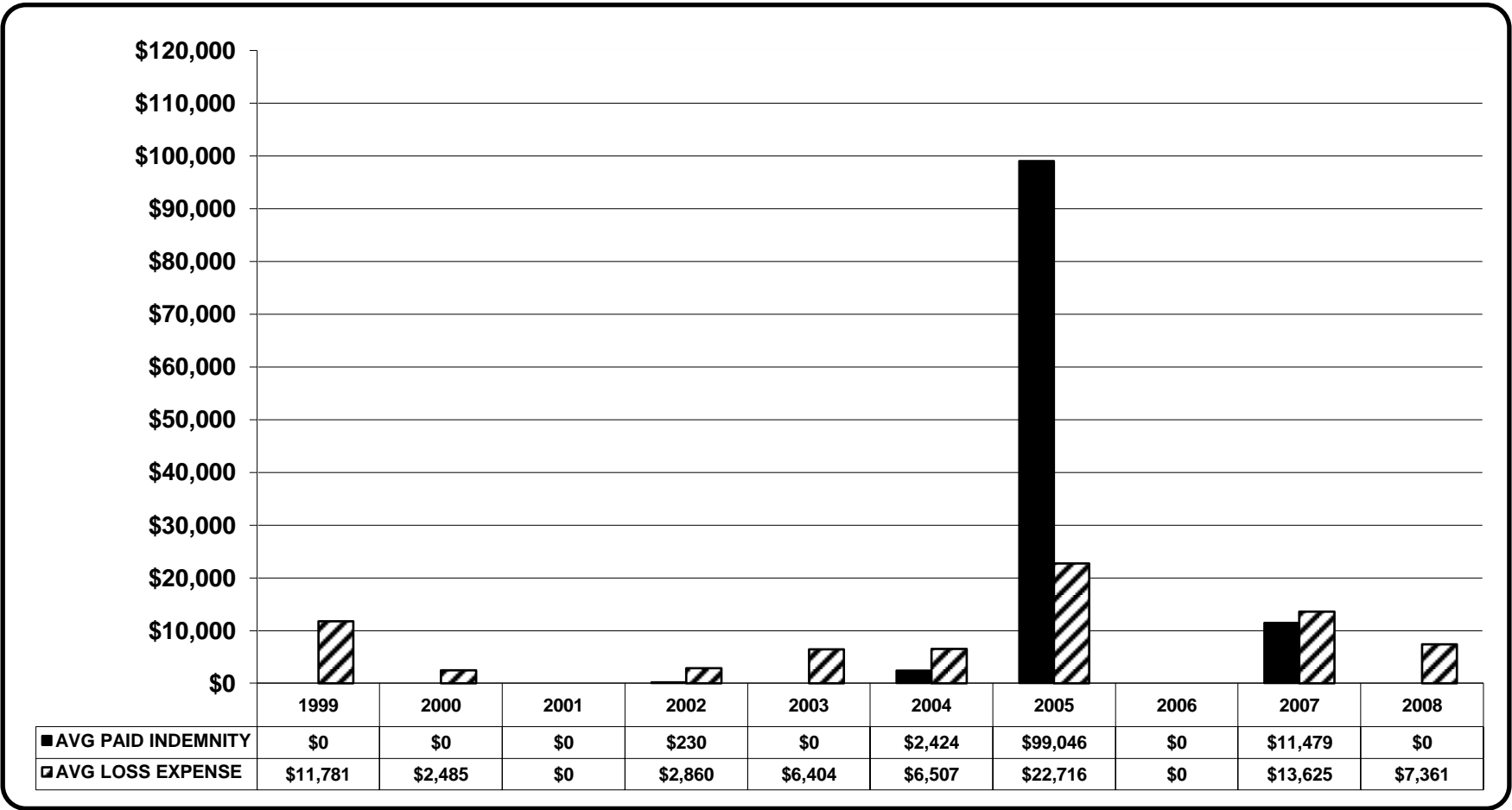


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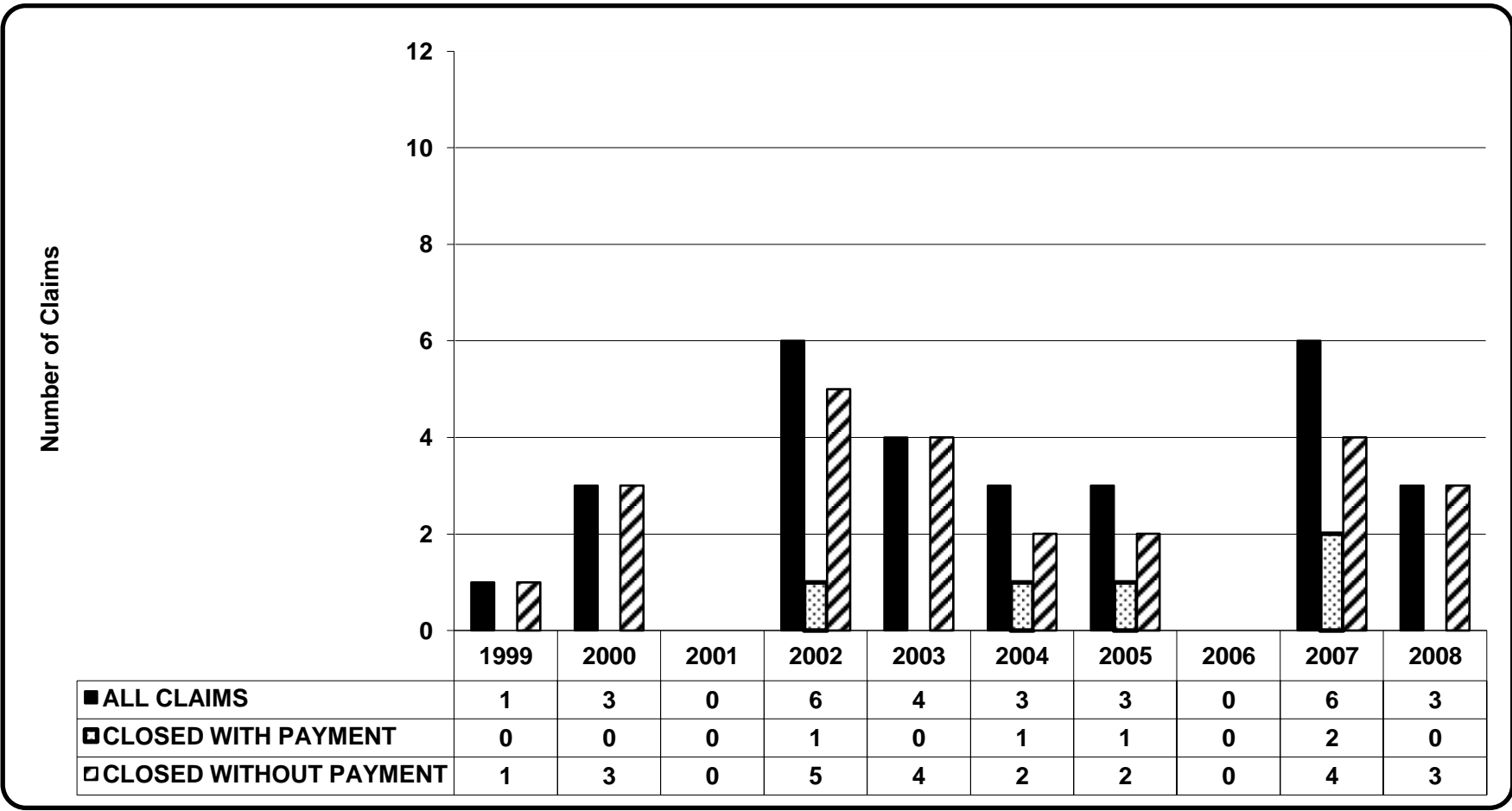


AFTER JUDGMENT, BEFORE APPEAL

Average Paid Indemnity & Average Loss Expense

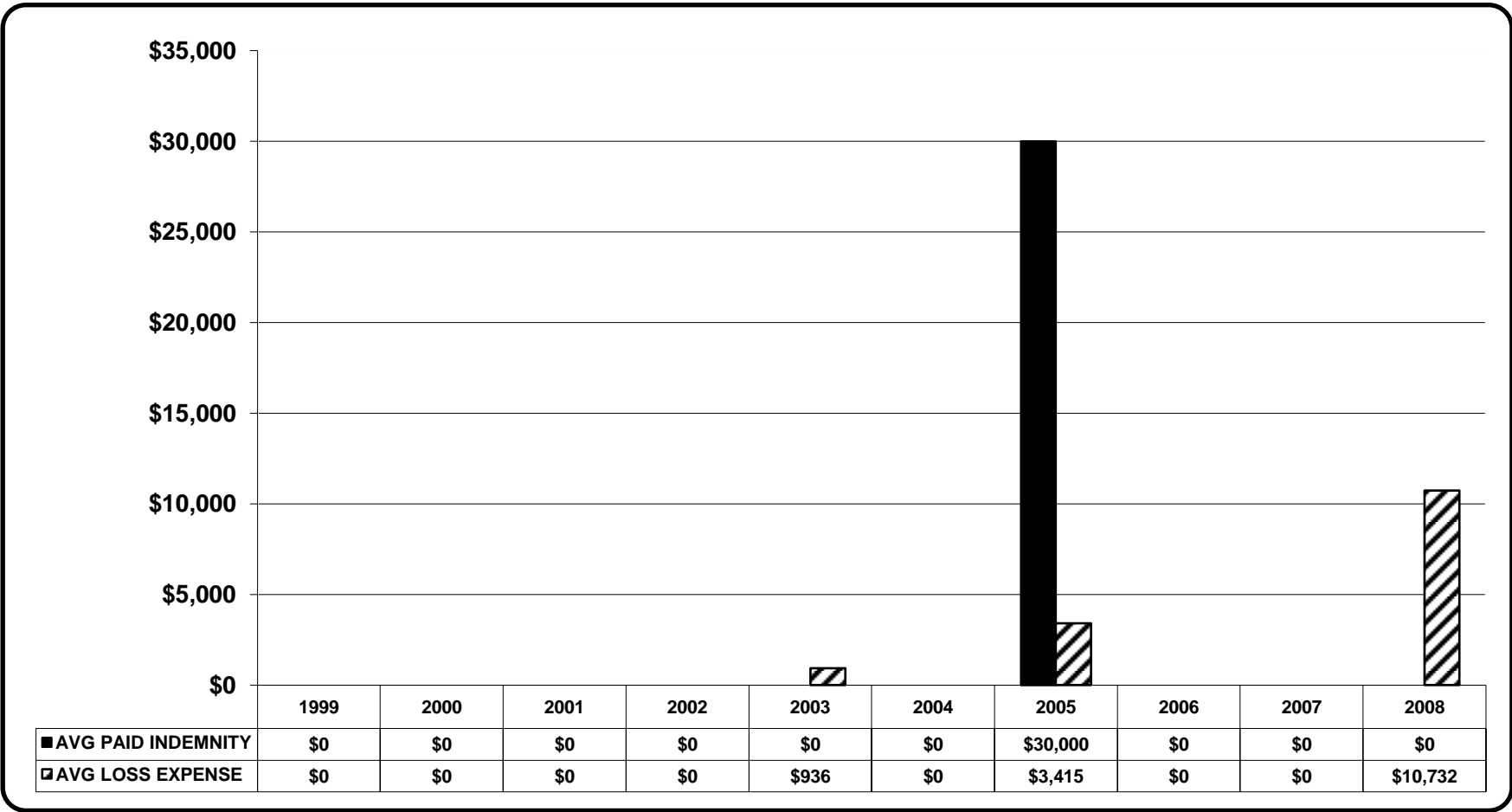


Claim Count

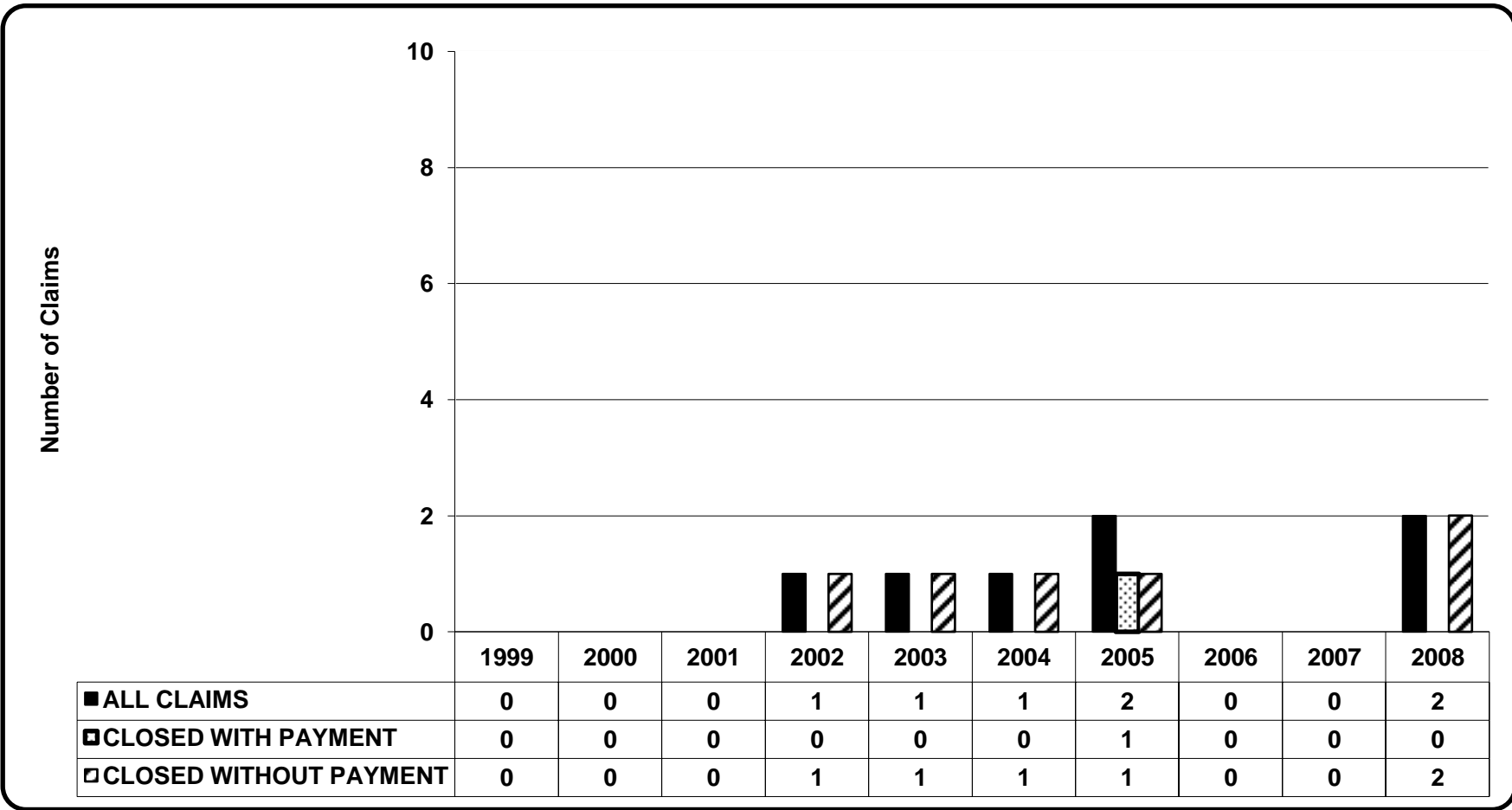


DURING TRIAL OR HEARING

Average Paid Indemnity & Average Loss Expense

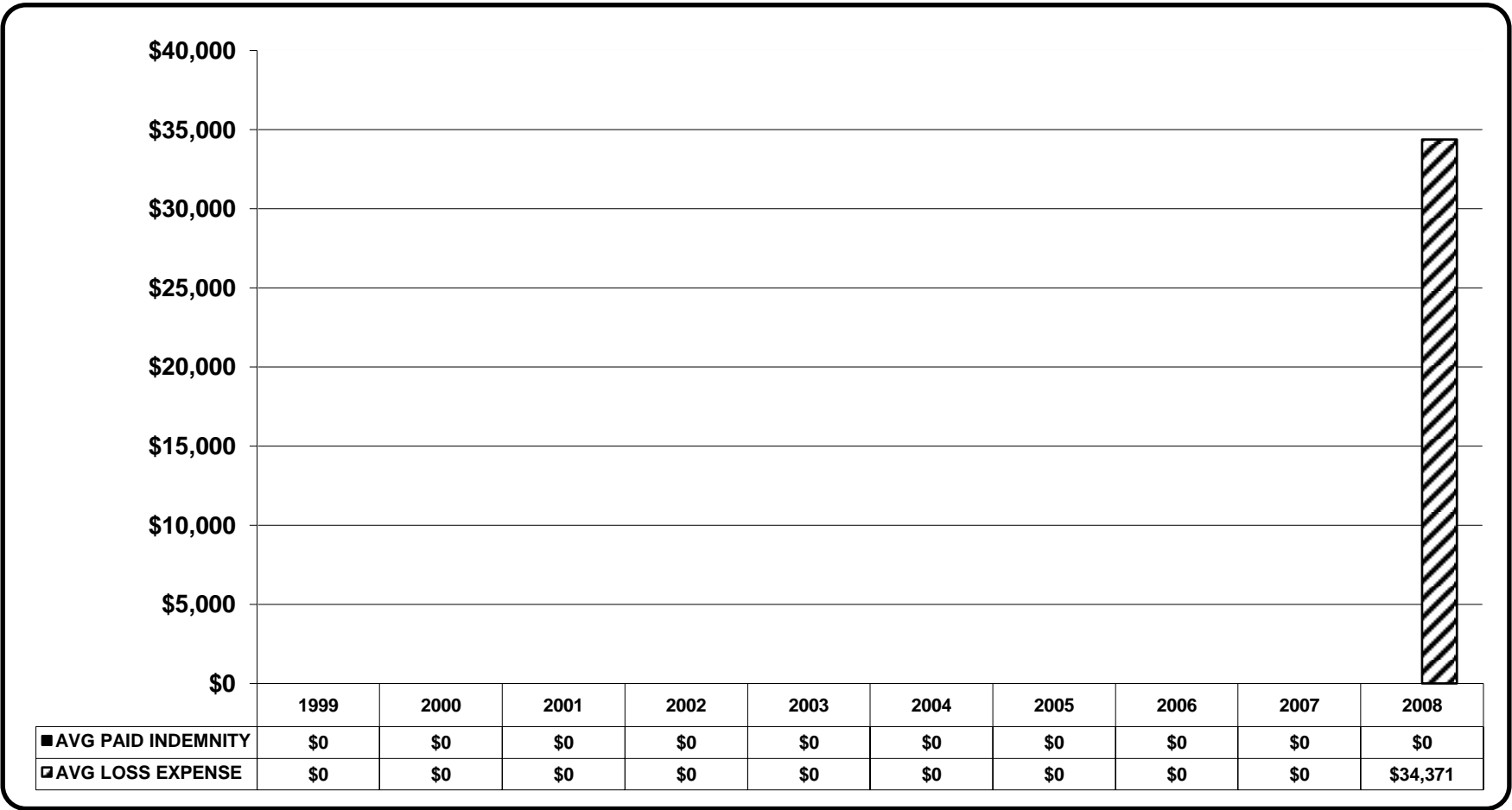


Claim Count

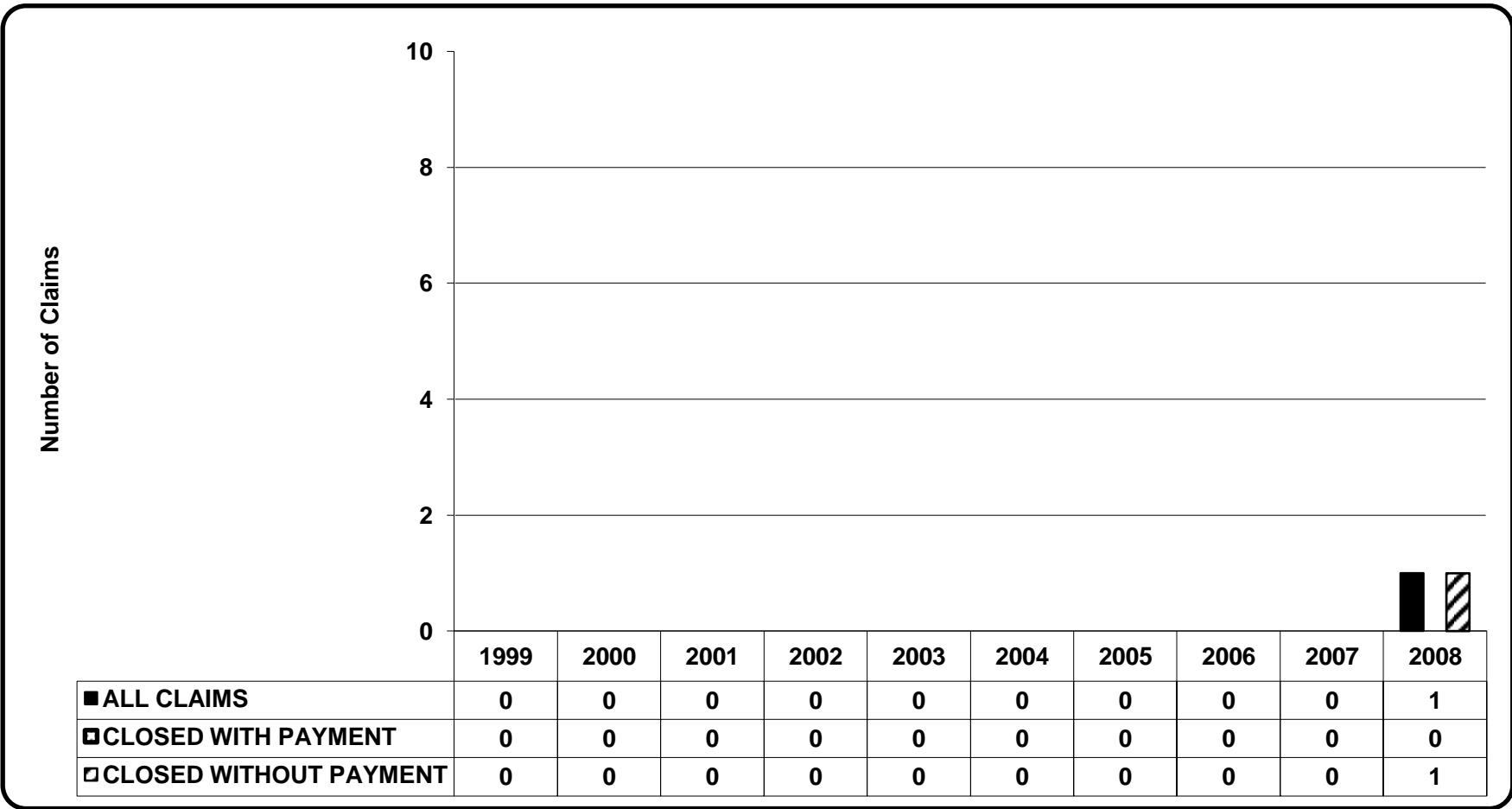


AFTER APPEAL

Average Paid Indemnity & Average Loss Expense



Claim Count





**TEN YEAR SUMMARY  
&  
2008 SUMMARY  
BY  
YEARS ADMITTED TO PRACTICE**



REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

FOR YEARS 1999 - 2008

YEARS ADMITTED TO PRACTICE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
OVER 10 YEARS	446	107	66.46%	\$10,123	\$1,083,136	67.46%	\$4,606
4 TO 10 YEARS	194	33	20.50%	\$10,405	\$343,373	21.39%	\$3,155
UNDER 4 YEARS	51	21	13.04%	\$8,531	\$179,143	11.16%	\$4,797
TOTAL	691	161	100.00%	\$9,973	\$1,605,652	100.00%	\$4,213

REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

CLAIMS CLOSED IN 2008

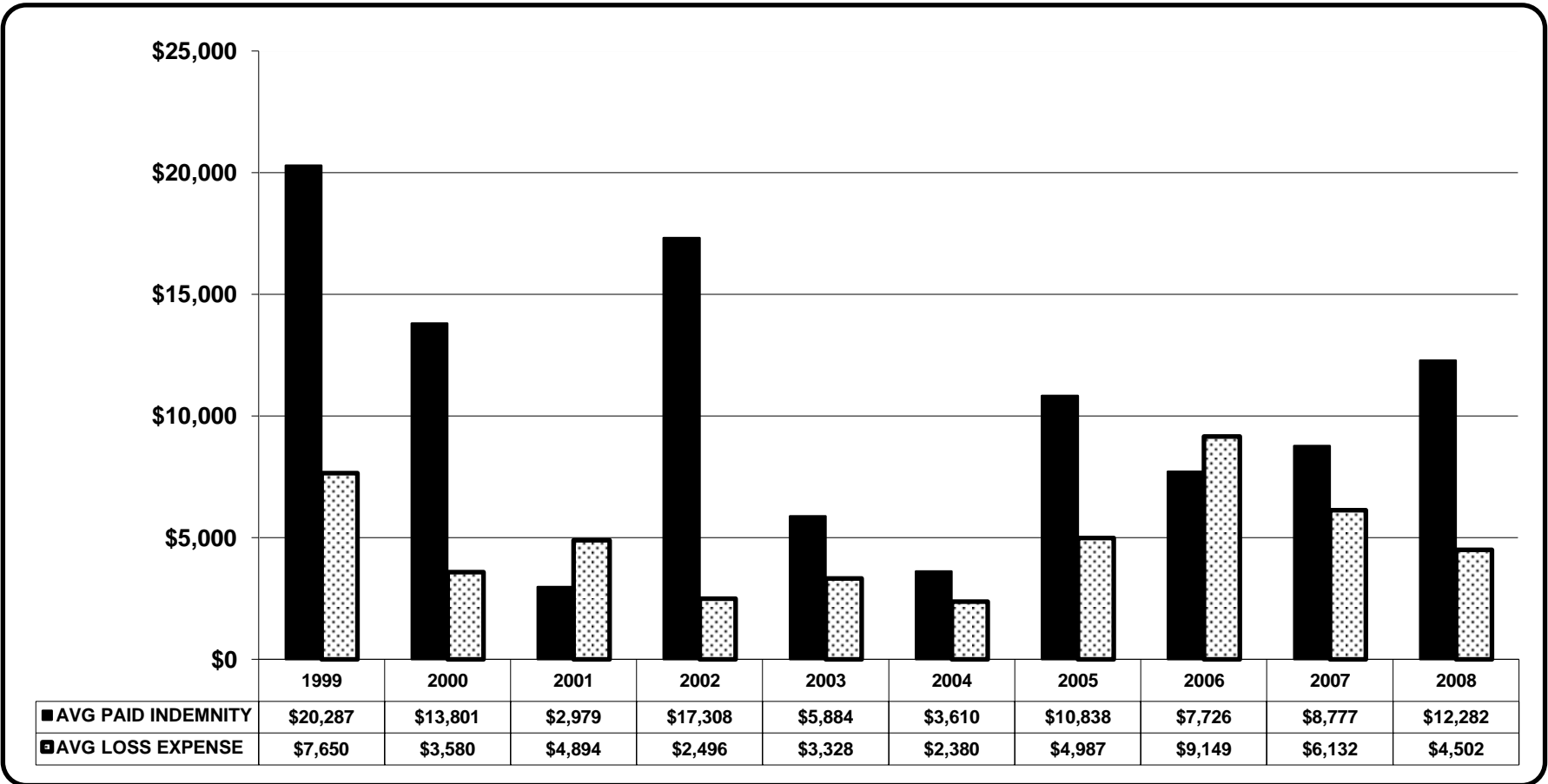
YEARS ADMITTED TO PRACTICE	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
OVER 10 YEARS	54	12	66.67%	\$12,282	\$147,383	69.38%	\$4,502
4 TO 10 YEARS	30	3	16.67%	\$9,667	\$29,000	13.65%	\$2,828
UNDER 4 YEARS	5	3	16.67%	\$12,019	\$36,058	16.97%	\$11,103
TOTAL	89	18	100.00%	\$11,802	\$212,441	100.00%	\$4,309

**YEARS ADMITTED TO PRACTICE  
TRENDS  
OF  
2008**

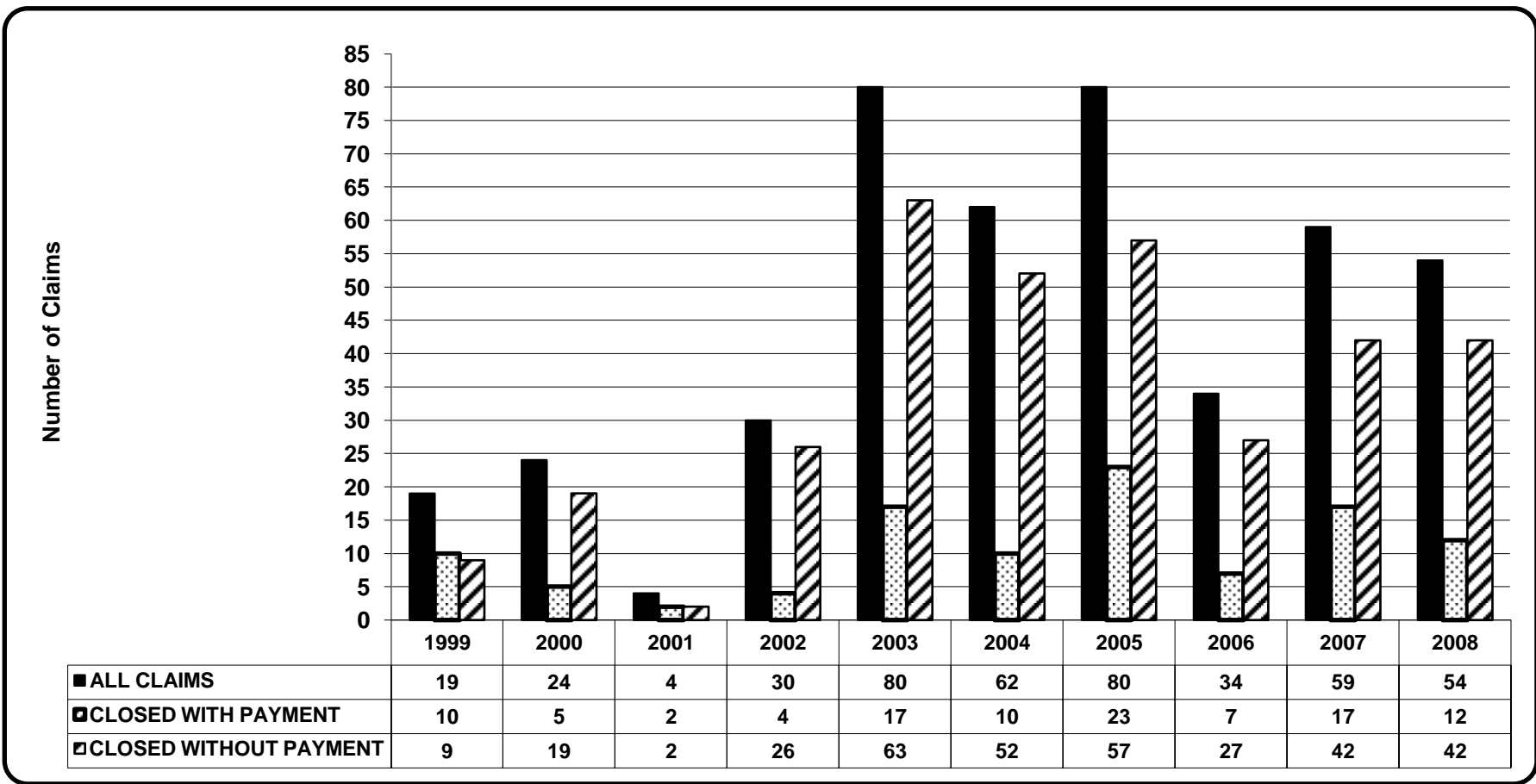


OVER 10 YEARS

Average Paid Indemnity & Average Loss Expense

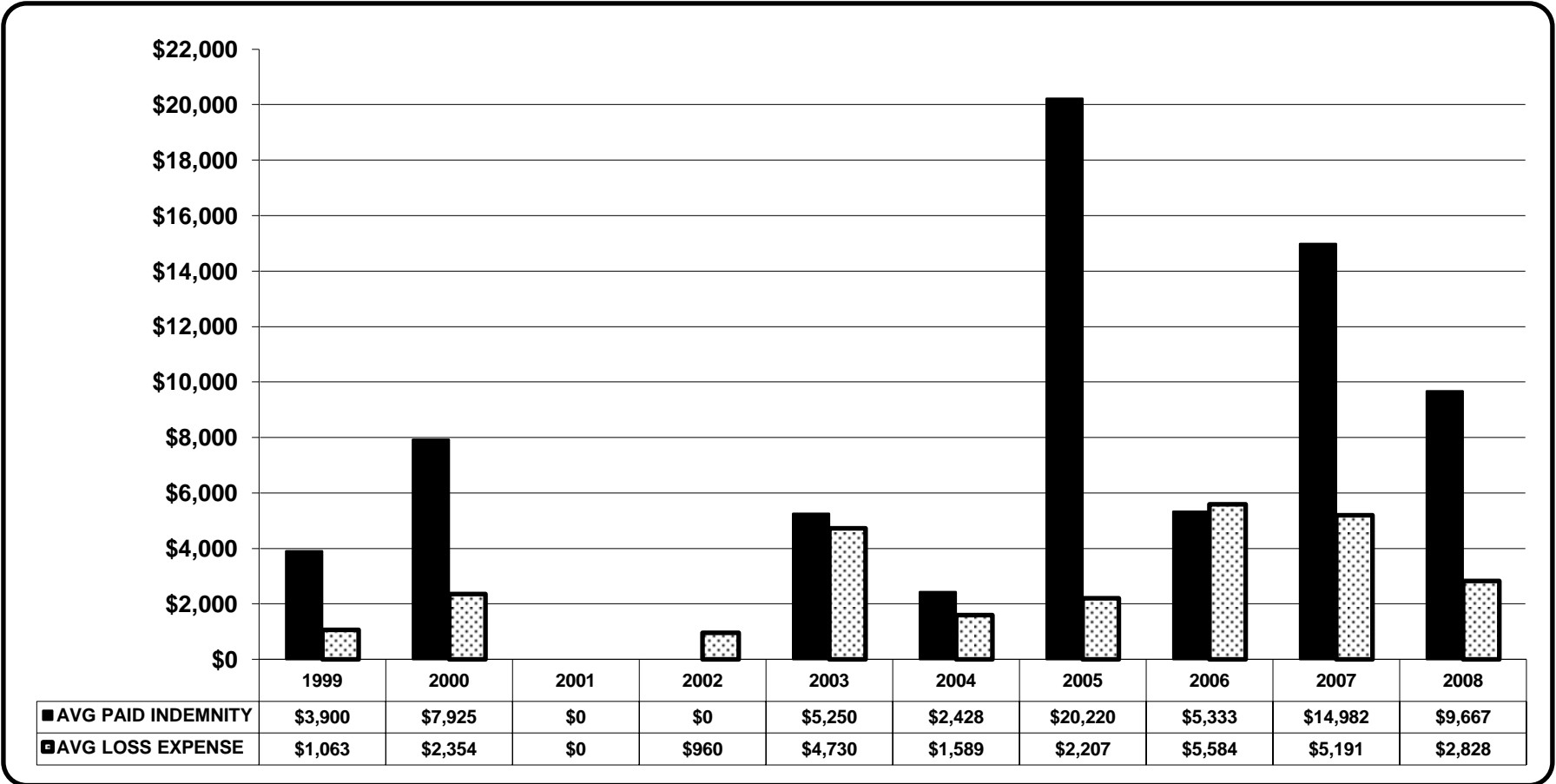


Claim Count

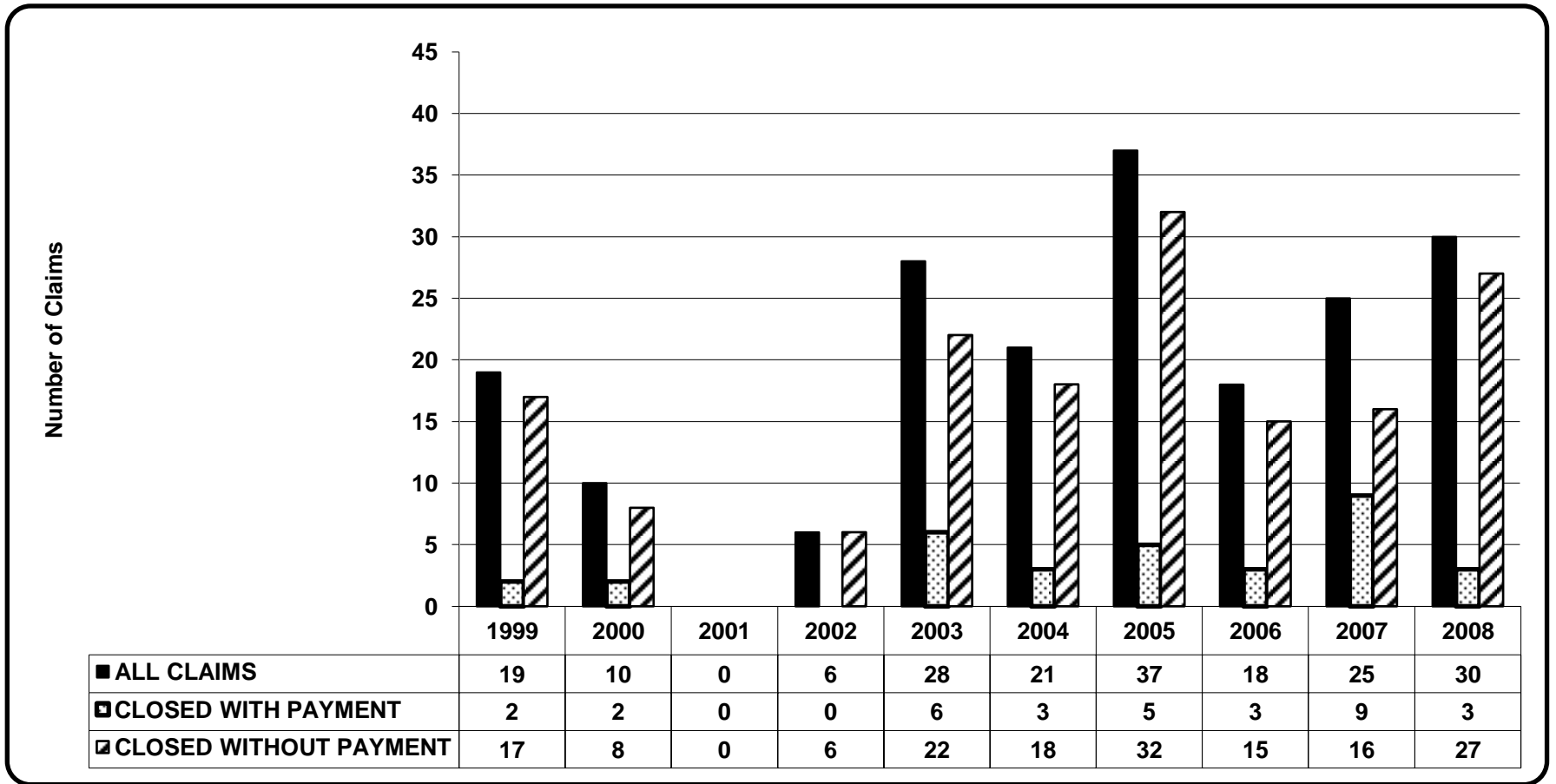


4 TO 10 YEARS

Average Paid Indemnity & Average Loss Expense



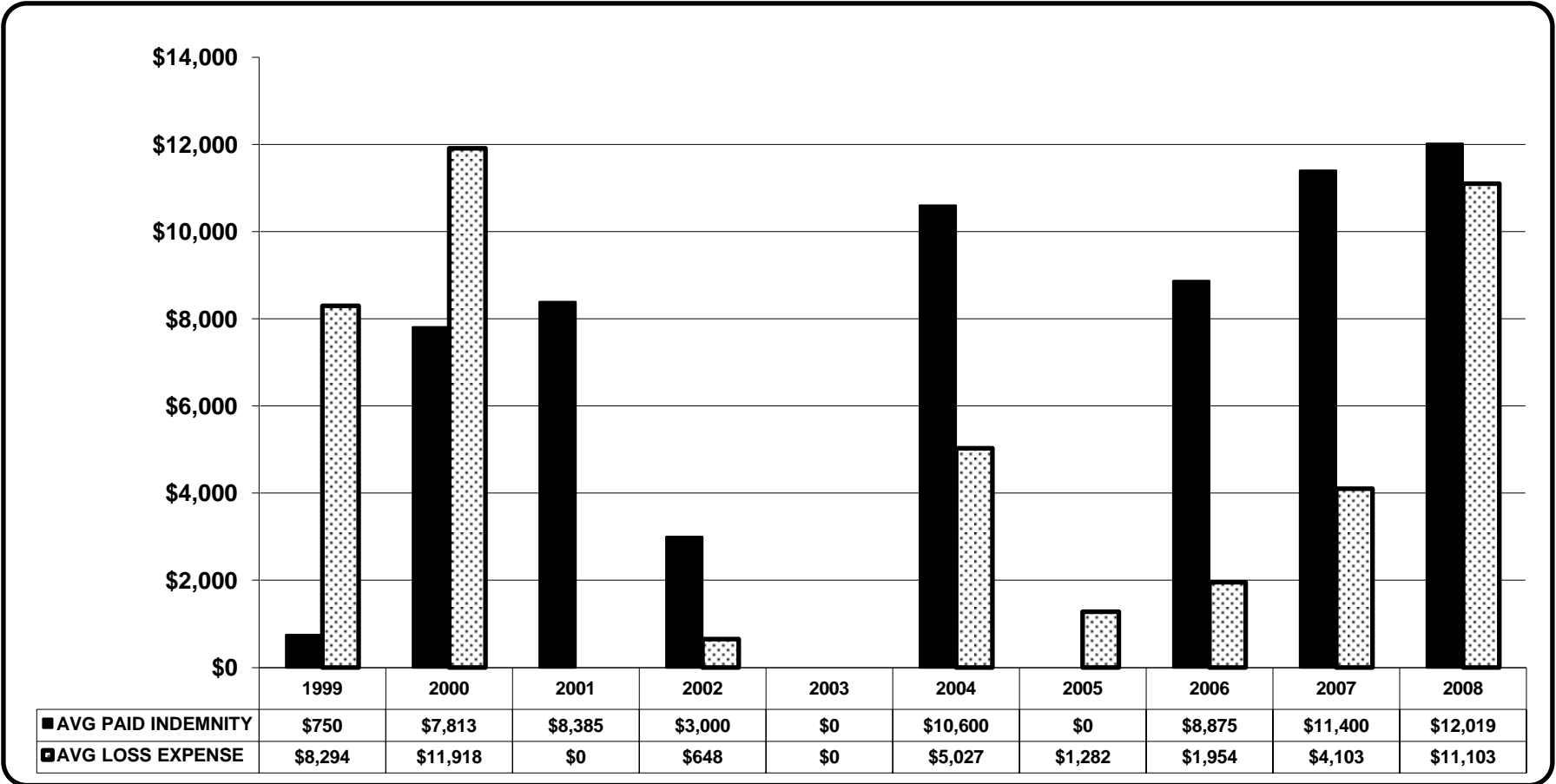
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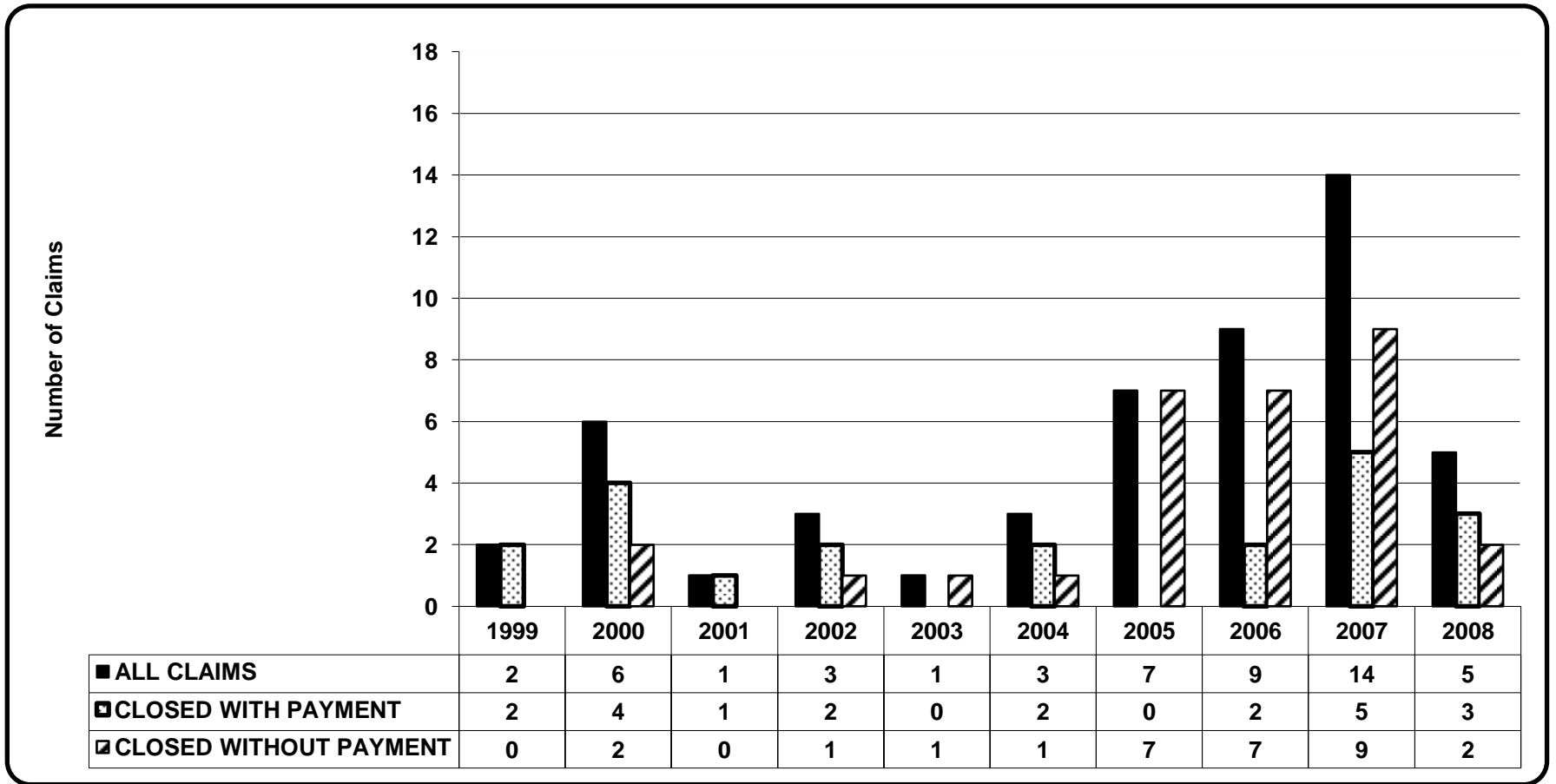


# UNDER 4 YEARS

Average Paid Indemnity & Average Loss Expense



# Claim Count





**TEN YEAR SUMMARY  
&  
2008 SUMMARY  
BY  
INSURED/CLAIMANT RELATIONSHIP**



REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

FOR YEARS 1999 - 2008

INSURED'S RELATIONSHIP TO THE CLAIMANT	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT	413	88	54.66%	\$10,649	\$937,100	58.36%	\$4,007
CONTRACTUAL RELATIONSHIP WITH CLAIMANT	278	73	45.34%	\$9,158	\$668,552	41.64%	\$4,519
TOTAL	691	161	100.00%	\$9,973	\$1,605,652	100.00%	\$4,213

REAL ESTATE MALPRACTICE INSURANCE  
INDEMNITY ANALYSIS

CLAIMS CLOSED IN 2008

INSURED'S RELATIONSHIP TO THE CLAIMANT	ALL CLOSED CLAIMS	NUMBER OF PAID CLAIMS	PERCENT OF PAID CLAIMS	AVERAGE INDEMNITY PAID PER PAID CLAIM	TOTAL INDEMNITY	PERCENT OF TOTAL INDEMNITY	AVERAGE LOSS EXPENSE FOR ALL CLOSED CLAIMS
NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT	50	8	44.44%	\$11,400	\$91,200	42.93%	\$3,234
CONTRACTUAL RELATIONSHIP WITH CLAIMANT	39	10	55.56%	\$12,124	\$121,241	57.07%	\$5,686
TOTAL	89	18	100.00%	\$11,802	\$212,441	100.00%	\$4,309

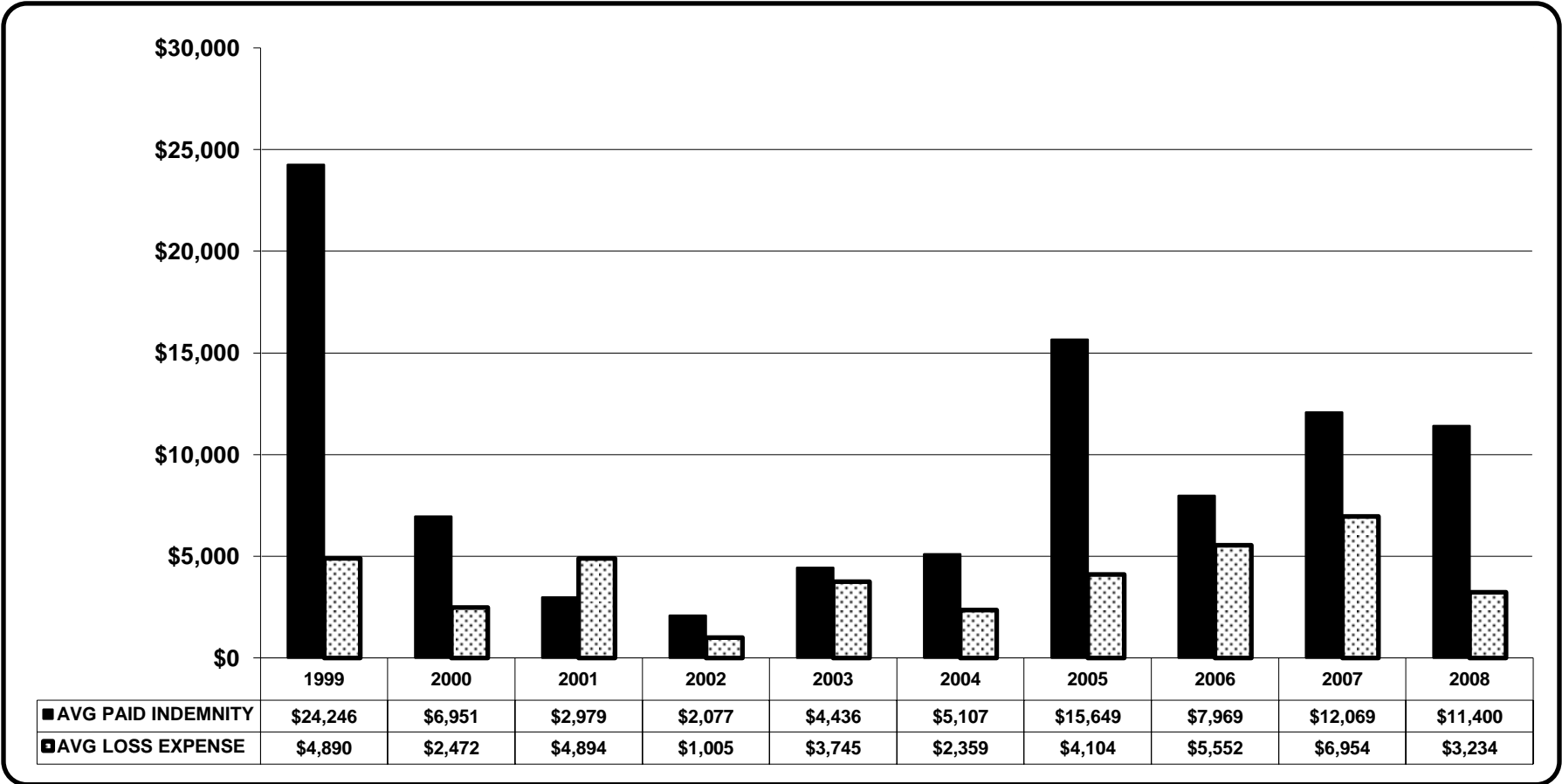
**INSURED/CLAIMANT RELATIONSHIP  
TRENDS  
OF  
2008**



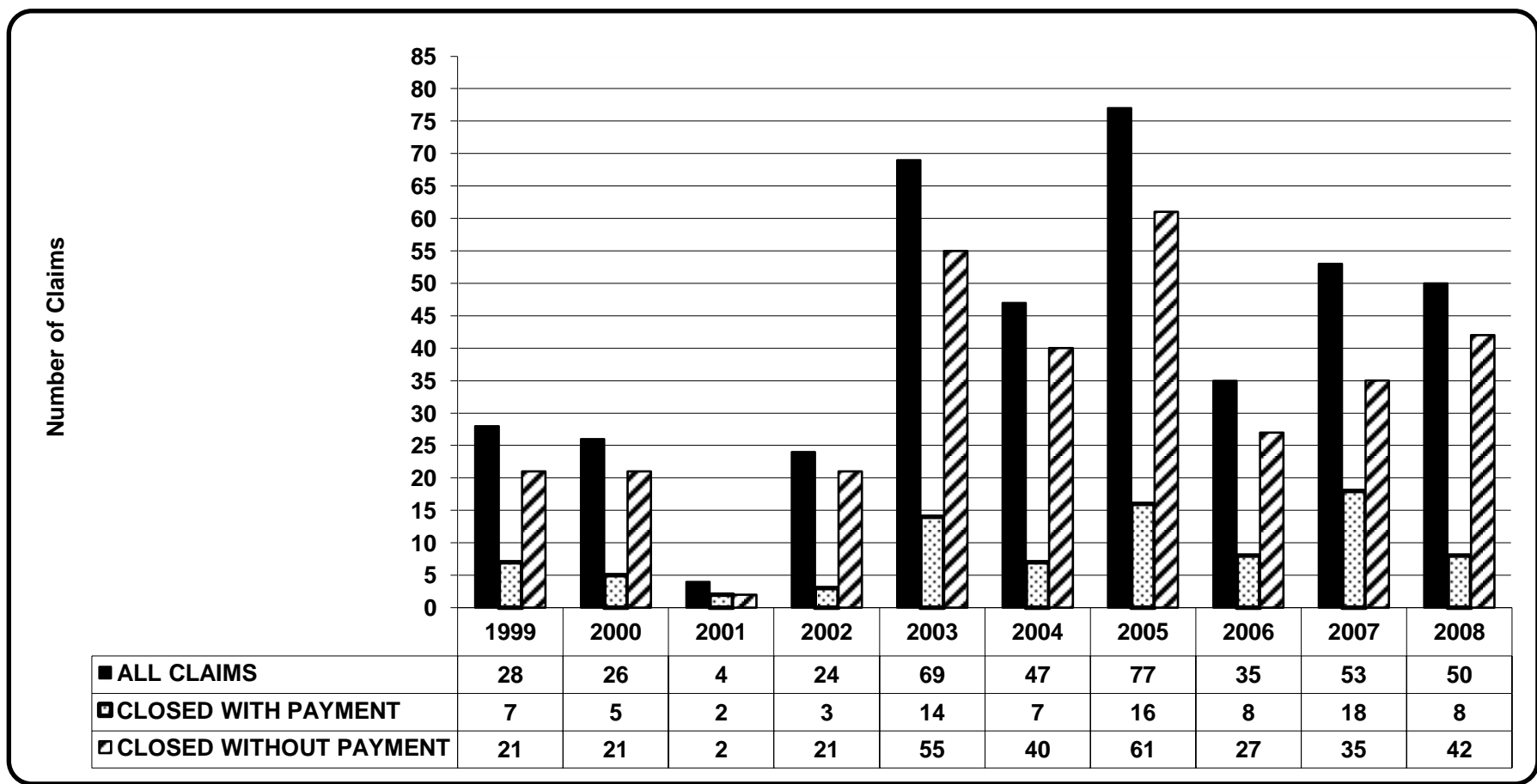


NON-CONTRACTUAL RELATIONSHIP WITH CLAIMANT

Average Paid Indemnity & Average Loss Expense

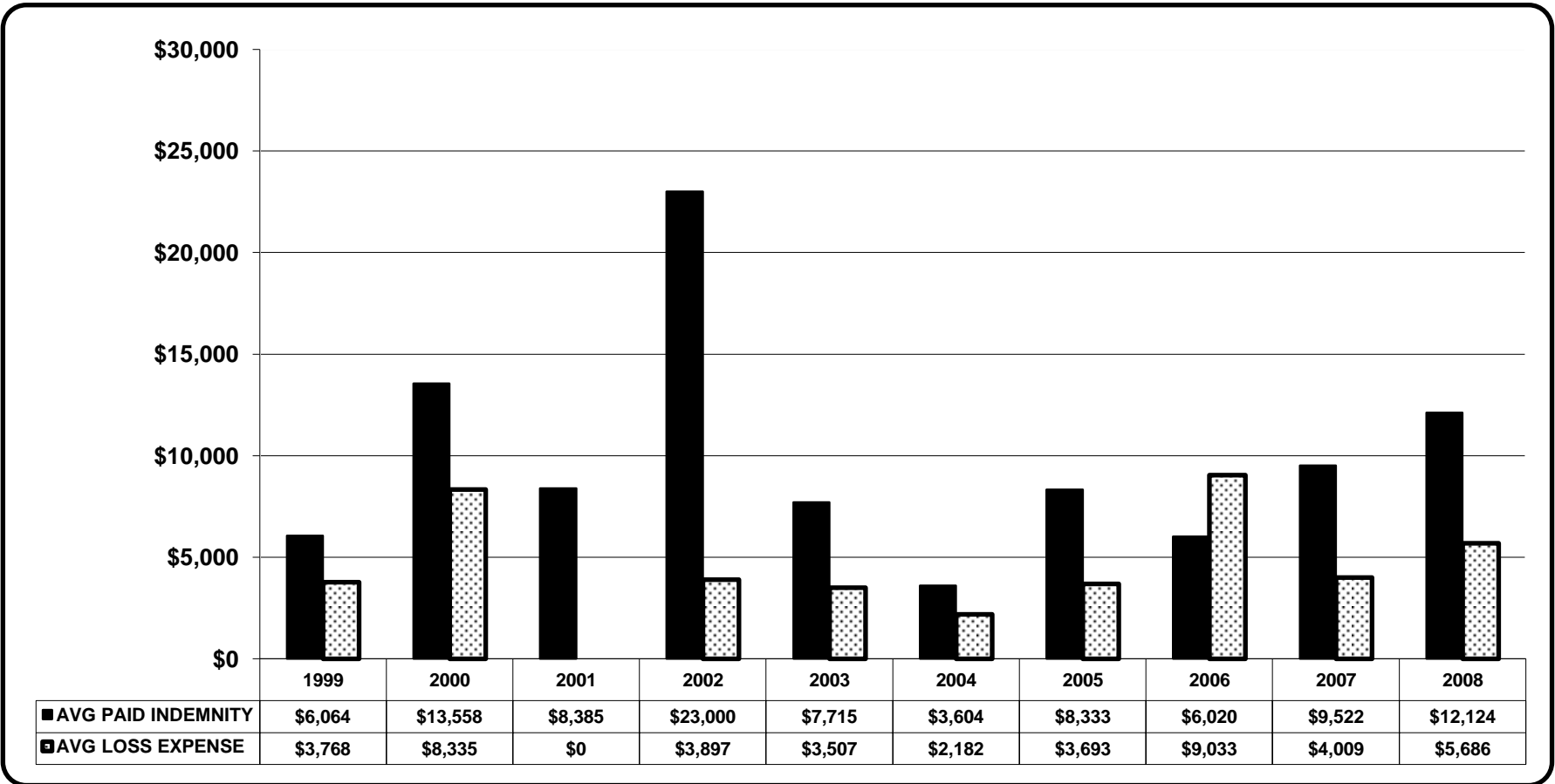


Claim Count

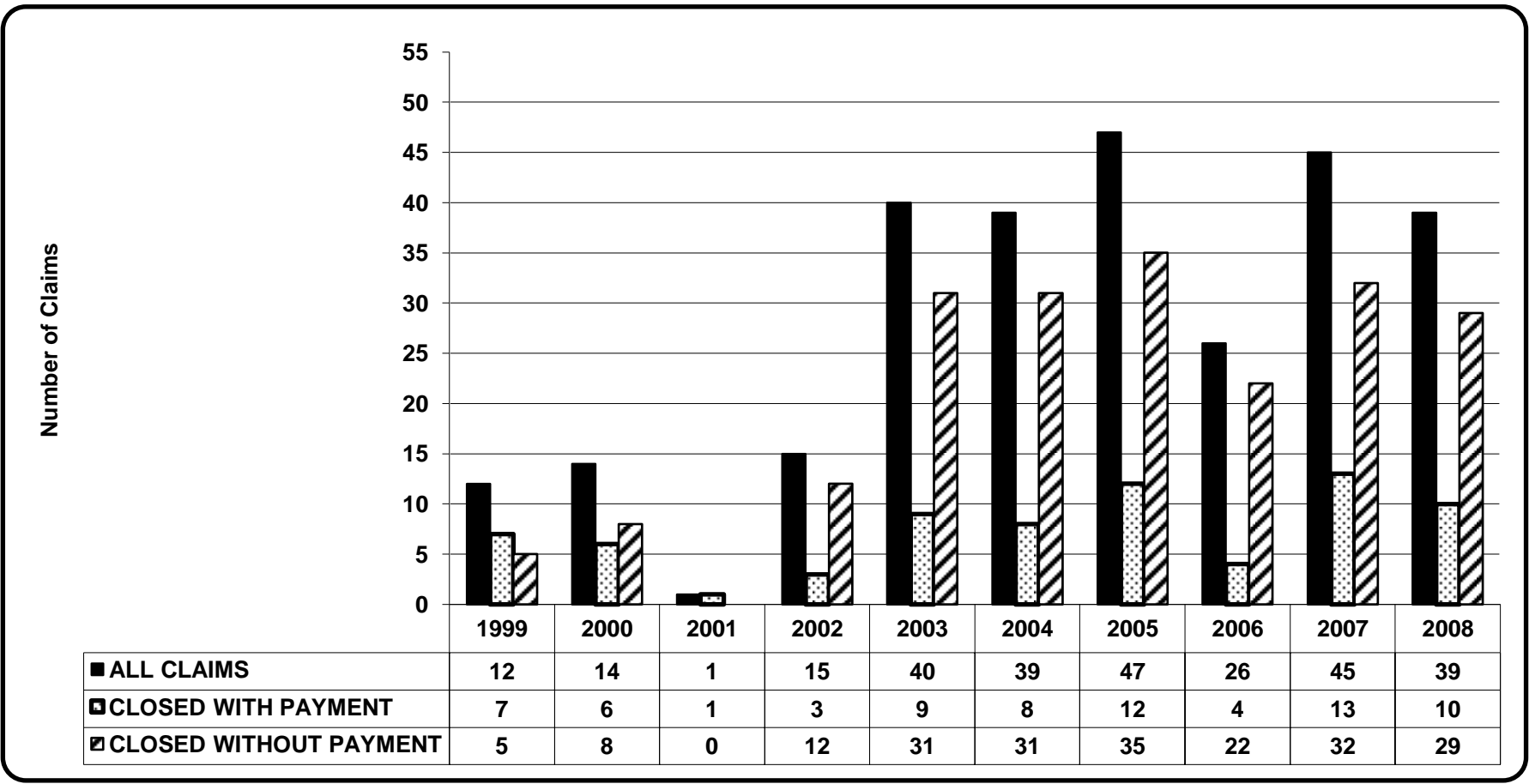


CONTRACTUAL RELATIONSHIP WITH CLAIMANT

Average Paid Indemnity & Average Loss Expense



Claim Count



# **PREMIUM AND LOSS DATA**



**PAGE 19 SUPPLEMENT REAL ESTATE MALPRACTICE EXPERIENCE  
WITH MARKET SHARE**

**2008 EXPERIENCE**

NAIC Company Code	Company Name	Market Share	Written Premium	Earned Premium	Losses Paid	Incurred Losses	Loss Ratio
20443	CONTINENTAL CASUALTY COMPANY	69.98%	\$1,299,611	\$1,359,502	\$314,119	\$852,648	62.72%
24767	ST PAUL FIRE & MARINE INSURANCE COMPANY	18.04%	\$335,036	\$265,150	\$0	\$95,530	36.03%
22322	GREENWICH INSURANCE COMPANY	6.58%	\$122,188	\$105,536	\$6,000	\$33,065	31.33%
25895	UNITED STATES LIABILITY INSURANCE COMPAN	4.43%	\$82,262	\$97,642	\$0	\$111,119	113.80%
39845	WESTPORT INSURANCE CORPORATION	0.55%	\$10,274	\$10,410	\$0	\$7,282	69.95%
35408	DELOS INSURANCE COMPANY	0.42%	\$7,782	\$6,816	\$0	\$1,176	17.25%
<b>TOTAL</b>		<b>100.00%</b>	<b>\$1,857,153</b>	<b>\$1,845,056</b>	<b>\$320,119</b>	<b>\$1,100,820</b>	<b>59.66%</b>

PAGE 19 SUPPLEMENT REAL ESTATE MALPRACTICE EXPERIENCE

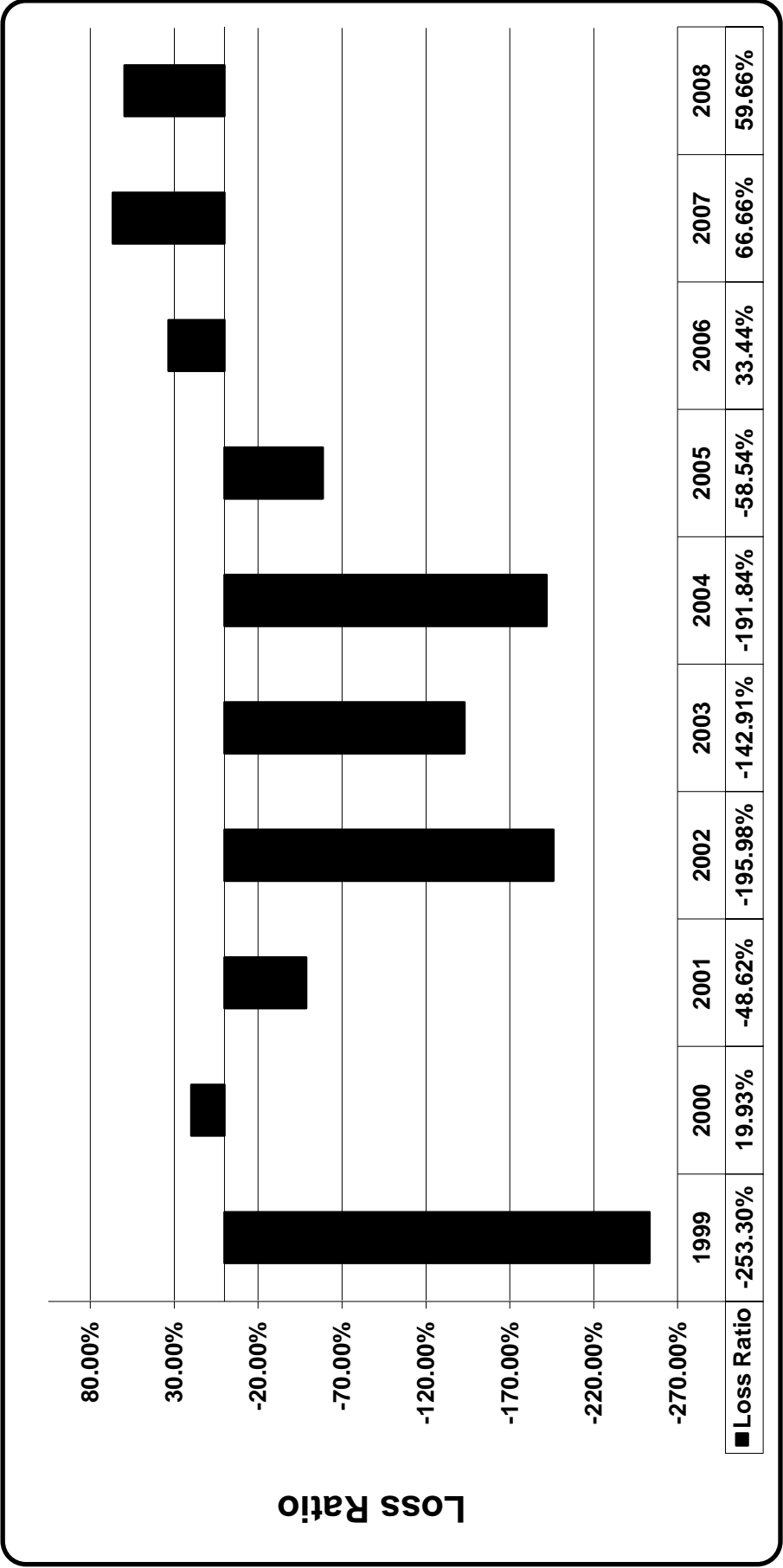
TEN YEAR SUMMARY

Year	Direct Written Premium	Direct Earned Premium	Direct Losses Incurred	Direct Defense & Cost Containment Expense Incurred	Loss Ratio	Defense Costs	Losses Plus Defense Costs
1999	\$412,988	\$117,643	-\$297,986	\$508,180	-253.30%	431.97%	178.67%
2000	\$450,419	\$80,699	\$16,082	-\$284,394	19.93%	-352.41%	-332.48%
2001	\$627,684	-\$274,156	\$133,283	\$184,549	-48.62%	-67.32%	-115.93%
2002	\$1,106,459	-\$86,912	\$170,332	\$103,499	-195.98%	-119.08%	-315.07%
2003	\$1,502,753	-\$545,691	\$779,853	\$398,228	-142.91%	-72.98%	-215.89%
2004	\$2,195,145	-\$537,235	\$1,030,640	\$461,071	-191.84%	-85.82%	-277.66%
2005	-\$875,718	-\$905,386	\$530,005	-\$98,836	-58.54%	10.92%	-47.62%
2006	\$2,221,705	\$2,361,731	\$789,714	\$740,916	33.44%	31.37%	64.81%
2007	\$2,581,948	\$1,984,075	\$1,322,615	\$666,471	66.66%	33.59%	100.25%
2008	\$1,857,153	\$1,845,056	\$1,100,820	\$1,086,019	59.66%	58.86%	118.52%
5 Year Average	\$7,980,233	\$4,748,241	\$4,773,794	\$2,855,641	100.50%	60.14%	160.68%
10 Year Average	\$12,080,536	\$4,039,824	\$5,575,358	\$3,765,703	138.00%	93.21%	231.22%

PAGE 19 SUPPLEMENT

REAL ESTATE MALPRACTICE EXPERIENCE

TEN YEAR LOSS RATIO SUMMARY







## DEFINITION OF TERMS

**Market Share:** The dollar amount of direct premium written by an insurer divided by the total amount of direct premiums written industry-wide for the particular line of business being analyzed, expressed as a percentage.

**Written Premium:** Amount charged when a policyholder contracts for insurance coverage before reinsurance has been ceded and/or assumed.

**Earned Premium:** The part of premium attributable to the coverage already provided, in a given period, before reinsurance has been ceded and/or assumed.

**Incurred Losses:** The sum of direct losses paid, plus an estimate at the close of the year of the amounts to be paid in the future, for all claims arising from the current and all prior years, minus the corresponding estimate made at the close of business for the preceding year. Incurred losses reported include estimated amounts unpaid for incurred-but-not-reported (IBNR) claims.

**Loss Ratio:** The dollar amount of direct losses incurred divided by the dollar amount of premiums earned for the particular line of business being analyzed, expressed as a percentage. This is an accounting representation of the portion of each premium dollar which is needed to honor a company's promise to pay claims.

**Indemnity Paid:** The sum of all payments made during the year for the benefit of insurance claimants, before reinsurance has been ceded and/or assumed. These payments include amounts paid in the current year for claims arising from the current year. Hence, this item is not a measure of the actual cost of current coverages, but only of current cash flows.

**Loss Adjustment Expenses:** The cost involved in an insurance companies adjustment of losses under a policy.

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